

The Market Week in Review

For the week ending May 7, 2011

THE MARKETS

An unexpectedly strong report on payrolls helped stocks bounce back on Friday from four days of losses earlier in the week. Nonetheless for the week all four of the major indexes ended the week lower than they started it. Commodities continued to come under pressure, as the CRB Commodity Index fell by 9.0% for the week. Silver and oil were especially hard hit, as crude oil prices finished the week at \$97.55 per barrel for a 14% weekly loss while silver prices declined by 27% to \$35.52 per ounce. The dollar rallied as commodities fell, advancing 2.5% in its best weekly gain since August.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,810.54	12,638.74	-171.80	-1.34%	9.17%
Nasdaq	2,873.54	2,827.56	-45.98	-1.60%	6.58%
S&P 500	1,363.61	1,340.20	-23.41	-1.72%	6.56%
Russell 2000	865.29	833.34	-31.95	-3.69%	6.34%

DAILY DEVELOPMENTS

MONDAY

The Census Bureau announced Monday that construction spending headed higher in March. Construction spending in March grew by 1.4 percent after a revised 2.4% decline in February. The March figure came in higher than the median forecast of a 0.5 percent gain in private residential outlays. The better than expected results also lends credence to the view that February's declines were weather related. Private nonresidential construction spending and public outlays all showed signs of improvement.

TUESDAY

On Tuesday the Commerce Department reported that new orders for manufactured goods increased by \$13.5 billion or 3.0 percent in March to \$462.9 billion. It was the 5th consecutive monthly increase and followed a 0.7 percent rise in February. Excluding transportation, new orders increased 2.6 percent. Shipments increased \$12.0 billion or 2.7 percent to \$461.4 billion. This is the seventh consecutive increase and followed a 0.6 percent improvement last month. Inventories increased by \$6.3 billion or 1.1 percent to \$572.3 billion. This followed a 1.0 percent February increase.

WEDNESDAY

The Institute for Supply Management on Wednesday said its services index sank to 52.8% last month from 57.3% in March. This is the lowest reading for the Index since August 2010 and constitutes the biggest one-month drop since November 2008. While a reading

over 50% indicates that more firms were expanding than contracting, economists surveyed by MarketWatch had been expecting the services index to rise to 57.8%. The new orders index sank 11.4 percentage points to 52.7%, which is the largest drop since ISM first began compiling the Index 13 years ago.

THURSDAY

The U.S. Labor Department said Thursday that the number of new unemployment insurance applications shot up by 43,000 last week to a seasonally adjusted 474,000 last week. That increase resulted in a number of Americans applying for unemployment benefits which hit its highest level in eight months. Economists polled by Reuters had forecast claims dropping to 410,000. However, the Labor Department blamed the increase on a variety of unusual factors, including spring break layoffs. The four week moving average of unemployment claims, a better measure of underlying trends, increased 22,250 to 431,250, which is the highest it's been since November.

Same store sales, declined as sales at stores open at least a year, increased 8.9 percent on average in April, according to Thomson Reuters' tracking of 25 large U.S. retailers. That amounts to one of the biggest increases in the last few years, and it topped analyst expectations of an 8.2 percent increase. Some forecasters have been expressing concern that higher gas prices would force consumers to cut back in other areas. So far that does not seem to have happened, but it wouldn't be surprising to see that cause and effect materialize in the upcoming months.

FRIDAY

The Labor Department said Friday that 244,000 new jobs were created in April. The improvement exceeded most analyst forecasts, who on average had been expecting a gain of 185,000 new jobs. At the same time March's employment figures were increased to 221,000 new jobs that month. Even still, the unemployment rate (which is based on a household survey) rose to 9 percent in April from 8.8 percent in March. And, gains in wages and hours worked were minimal. Specifically, the average hourly earnings rose 0.1 percent, following a 0.2 percent gain in March. The average workweek came in at 34.3 hours, which the same as it was in March and consistent with advance estimates.

QUOTE FOR THE WEEK

"The nice part about being a pessimist is that you are constantly being either proven right or pleasantly surprised."

– George F. Will, American editor and news commentator

I hope you have found the information in this week's market summary helpful. If you would like to comment on any of the information found in this week's Market Commentary please e-mail me at awillms@estatecounselors.com. If you would like to discuss how current market conditions could impact your investments, please feel free to call me at the number listed below.

Best regards,

Andy

Andrew J. Willms, J.D. LL.M.
Estate Counselors, LLC
414 N. Main Street
Thiensville, WI 53092
Phone (262) 238-6996
Fax (262) 238-6999
awillms@estatecounselors.com
www.estatecounselors.com

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