

The Market Week in Review

For the Week Ending October 22, 2011

THE MARKETS

It was another volatile week on Wall Street as news from Europe continued to weigh heavily on stock prices. A strong rally on Friday resulted in the S&P 500 index ending the week in the black for the third week in a row. Overall the third quarter earnings season has gotten off to a decent start, with about 70% of companies beating EPS estimates. Next week economic reports will be released on home prices, consumer confidence, new home sales, GDP, and personal income and spending.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	11,644.49	11,808.79	164.30	1.41%	2.00%
Nasdaq	2,667.85	2,637.46	-30.39	-1.14%	-0.58%
S&P 500	1,224.58	1,238.25	13.67	1.12%	-1.54%
Russell 2000	712.46	712.42	-0.04	-0.01%	-9.09%

DAILY DEVELOPMENTS

MONDAY

The increase in U.S. industrial production in September exceeded expectations according to figures provided by the Federal Reserve on Monday. They showed that production was up 0.2% in September compared to August. Economists expected a 0.1% monthly increase. Manufacturing output moved up 0.4% in September after having gained 0.3% the prior month. Excluding motor vehicles, manufacturing increased by 0.3%, helped by a 1% increase in computers/electronics.

TUESDAY

The U.S. producer price index climbed 0.8%, the most in five months, Labor Department announced on Tuesday. Economists projected a 0.2% gain, according to the median of 71 estimates in a Bloomberg News survey. By comparison, producer prices were unchanged in August. The so-called core measure, which excludes volatile food and energy, gained 0.2%.

WEDNESDAY

Data from the Labor Department showed the cost of living climbed 0.3% from August, in line with the median projection of economists surveyed by Bloomberg News. The increase follows a 0.4% jump the month before. While the overall number suggests inflation is not an immediate concern, there were some areas for concern. For example, energy prices increased by 2.0% after rising 1.2% in August. Gasoline shot up 2.9% higher after increasing 1.9% in August. Food prices rose 0.4% in September following a 0.5% pace the

month before. If the volatile food and energy segments are excluded, the “core” CPI rose just 0.1%, after rising 0.2% in August. The market expectation was for a 0.2% gain.

The Commerce Department reported Wednesday that the number of housing starts rose sharply in September, increasing by 15.0%, to 658,000 new units on an annualized basis. The increase follows a 7.0% decline in July. The median forecast for housing starts in a Bloomberg survey called for a 590,000 pace. For the year, housing starts are up 10.2% as compared to 2010. The strong numbers in September were driven primarily by a 51.3% surge in the number of multifamily housing units commenced in September. The number of new homes that began construction in September was up a much tamer 1.7%, which is still significantly better than the 2.8% decrease the month before. However, both increases appear to be driven, at least in part, by improved weather conditions in September.

THURSDAY

Applications for unemployment insurance payments decreased 1,000 in the week ended October 8th to 404,000, Labor Department figures released on Thursday indicated. That’s the fewest new application for benefits in 6 months. Economists forecasted 405,000 claims, according to the median estimate in a Bloomberg News survey. Unemployment held steady at 9.1% in September despite net job growth of 103,000. The participation and employment rates actually ticked up for the second month in a row, but this summer they were coming off the lowest levels since 1983.

Existing-home sales decreased by 3.0% in September from a month earlier to a seasonally adjusted annual rate of 4.91 million, the National Association of Realtors said Thursday. Economists surveyed by Dow Jones Newswires had expected home sales to fall by 2.6% to an annual rate of 4.90 million. That represented an 8.5-month supply at the current sales pace, compared with a healthy level of about six months. The number of previously owned homes listed for sale declined to 3.48 million. Foreclosures and other distressed properties represented about 30% of sales according to the report. The previously announced August sales number was increased 5.06 million annually.

FRIDAY

There were no major economic announcements on Friday.

QUOTE OF THE WEEK

“More than five years after the housing bubble started to burst, the housing market remains a heavy burden on the economy.”

Wall Street Journal. 10/20/11

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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