The Market Week in Review
For the Week Ending October 29, 2011

THE MARKETS

The equity markets have enjoyed a marked turn-around from just a few weeks ago, when anxiety over the European debt crisis helped push Wall Street to the brink of a bear market. On October 3rd, the S&P 500 was down 19.4% from its high on April 29th. This week, the S&P rose 46.84 points to end the week at 1,285.09, up 2.18% from the beginning of the year. Recent news has increased the likelihood that the United States will not have to suffer a double-dip recession, prompting some investors to put some of their long-dormant cash to work in the market. And European leaders finally agreed on a plan to address their debt crisis. However, as this week's economic announcements make clear, the big picture still is a mixed bag.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	11,808.79	12,231.11	422.32	3.58%	5.65%
Nasdaq	2,637.46	2,737.15	99.69	3.78%	3.18%
S&P 500	1,238.25	1,285.09	46.84	3.78%	2.18%
Russell 2000	712.42	761.00	48.58	6.82%	-2.89%

DAILY DEVELOPMENTS

MONDAY
There were no major economic announcements on Monday.

TUESDAY
The Conference Board's Consumer Confidence Index, which had slightly improved in September, declined once again in October. The Index now stands at 39.8 (1985 = 100), down from 46.4 in September, and at its lowest level since last December. Economists had been forecasting a reading of 46. The Present Situation Index decreased to 26.3 from 33.3. The Expectations Index declined to 48.7 from 55.1 last month. It now stands at its lowest level since 2008.

Tuesday also saw the release of the S&P/Case-Shiller index of property values for September. It indicated that property values in the 20 cities included in the survey fell on average 3.8% from prices in August 2010. The median forecast of 30 economists surveyed by Bloomberg News was for a 3.5% decline.

WEDNESDAY
New factory orders for durables declined 0.8% in September according to a Commerce Department report issued on Wednesday. But don't let the headline number deceive you,

as excluding transportation, durable goods sales rebounded 1.7%, following a 0.4% decrease in August. The market median forecast called for a 0.5 rise excluding transportation. Outside of transportation, orders were strong in all sectors. Specifically, primary metals were up 2.6%; fabricated metals increased by 1.9%; machinery was up 1.8%; computers and electronics rose by 1.0%; electrical equipment improved by 1.9%; and the catch-all "other" category rose by 1.0%.

Also on Wednesday the Commerce Department reported that new home sales increased 5.7% last month to a seasonally adjusted annual rate of 313,000 homes. However, once again the headline number is misleading, as the increase was largely a result of builders cutting their prices in the face of depressed demand. More specifically, the median sales price fell 3.1% to $204,400 -- the lowest since October 2010. The number of new homes on the market was unchanged at 163,000, a record low.

THURSDAY

U.S. gross domestic product grew at an annualized rate of 2.5% in the third quarter, the Commerce Department said Thursday. That's a big improvement over the 0.4% growth in the 1st quarter and 1.3% in the 2nd. Consumer spending was a major contributor to the improvement. It rose 2.4%, which is the largest increase since the end of last year and a rise of 16.3% in business investments. An examination of the details in the report reveals that after-tax inflation-adjusted personal income declined by an annualized rate of 1.7% in the 3rd quarter, which amounts to the worst performance in two years. That raises questions as to whether the growth enjoyed in the 3rd quarter can be sustained.

Initial jobless claims held last week, the Labor Department announced Friday. More specifically, there were 402,000 new claims for unemployment benefits last week which was a tad bit better than expectations. The four-week average fell by 10,000 to 405,500 signaling a mild improvement from the October employment report.

National Association of Realtors said Thursday that the number of contracts to purchase previously owned U.S. homes unexpectedly fell in September, suggesting that lower prices and interest rates were not enough to spur on potential home buyers. The Association's index of pending home sales registered a 4.6% decrease in September, which is the biggest decline since April. September's decline follows a 1.2% drop the previous month.

FRIDAY

Personal incomes of U.S. citizens rose slightly in September, while consumer spending increased rather sharply, according to figures released Friday by the Commerce Department. More specifically personal income increased by 0.1 percent in September, as compared to a 0.1 percent drop in August. However, most economists had forecast a 0.3 percent increase. Consumer spending rose by 0.6 percent in September following a 0.2 percent increase in August. The increase in spending matched economist estimates.

QUOTE OF THE WEEK

"It ain't brilliant, but at least it's heading in the right direction."

Economist Ian Shepherdson, commenting on the nation's economic growth in the third quarter.

TIDBITS

According to *The Wall Street Journal* median income in the U.S. dropped by 7% from 2000 to 2010, after accounting for inflation. That amounts to the worst 10-year performance since 1967.

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

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