The Market Week in Review
For the Week Ending September 3, 2011

THE MARKETS
The markets started the week with a four day winning streak, but even that was not enough to offset an announcement on Friday that the economy failed to create new jobs in August (see below). That announcement resulted in aggressive selling on Friday, and by the time the markets closed all 4 of the major indexes finished the week in the red.

August proved to be a very volatile month for stock prices, with the major indexes fluctuating by as much as 6% in either direction in very short time frames. The equity markets were affected by a number of developments during the month, including the federal government's inability to pass a solid debt plan in a reasonable amount of time. Then, the S&P issued the first ever downgrade of U.S. debt. Even the weather played a role as hurricane Irene slammed into the east coast, which negatively affected trading volume on the stock exchanges. Personally, I am hoping that September proves to less eventful. I could use the sleep!

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	11,284.54	11,240.26	-44.28	-0.39%	-2.91%
Nasdaq	2,479.85	2,480.33	0.48	0.02%	-6.50%
S&P 500	1,176.80	1,173.97	-2.83	-0.24%	-6.65%
Russell 2000	691.79	683.36	-8.43	-1.22%	-12.80%

The White House lowered its forecast for 2011 gross domestic product growth to 1.7%, compared with 2.7% in February. Unemployment will hold at 9.1% this year and decline to 9% in 2012, according to a budget review.

DAILY DEVELOPMENTS

MONDAY
Consumer spending increased 0.8 percent a Commerce Department report showed on Monday. Economists had been forecasting a 0.05% rise. Spending rose 0.05% on an inflation adjusted basis, which is the first increase since April and the largest gain in 1-1/2 years. The increase could be interpreted as evidence that the country is not falling back into a 2nd recession, although economic growth is likely to remain slow. The core personal consumption expenditures price index, which strips out food and energy costs -- rose 0.2 percent for a second straight month, pushing the year-on-year reading to 1.6 percent, which is its highest reading since May 2010. Overall inflation jumped 0.4 percent in July after dropping 0.1 percent in June, making further governmental stimulus less likely in our view.

The number of contracts to purchase previously owned U.S. homes fell in July by 1.3% the National Association of Realtors said on Tuesday. It was the first monthly decline in 3 months and follows a 2.4 percent gain the previous month. Economists had been forecasting a 1% decline, according to a Bloomberg News survey.

TUESDAY

Home Prices rose in June for the third straight month according to the Case-Shiller indexes of home prices. More specifically, the index of 10 major metropolitan areas rose 1.1% and the 20-city index was up 1.1% in June. However, adjusted for seasonal factors, the sequential 10-city figure was flat while the 20-city index slipped 0.1%. Second-quarter home prices rose 3.6% after falling 4.1% during the first quarter.

Also on Tuesday the Conference Board's Consumer Confidence Index for August indicated that the consumer confidence index dropped 14.7 points during the month, down 24.8 percent, to reach 44.5. That is the lowest level since April 2009. In addition, the expectation index dropped 23 points, down 30.7 percent, to reach its lowest point since that time as well.

WEDNESDAY

U.S. factory orders rose 2.4 percent in July the Commerce Department reported Wednesday. The increase was the largest since March as demand for autos reached an 8 year high and commercial airplane orders rose sharply. The increase followed a decline of 0.4 percent in June. Excluding the volatile transportation categories, factory orders rose a more modest 0.9 percent in July.

THURSDAY

The Labor Department announced that Initial claims for unemployment benefits fell by 12,000 during the week of August 27th to 409,000, but the improvement was offset in part by a 4,000 upward revision to the prior week's reported number to 421,000. The four week average came in at 410,250, as compared to 408,250 at the end of July. Continuing claims fell a by 18,000 for the August 20th week to 3.735 million, and the four week average declined by 3,000 to 3.726 million.

The Institute for Supply Management's factory index fell less than expected during August. The index fell to 50.6 last month from 50.9 in July. Economists projected the index would drop to 48.5, according to the median forecast in a Bloomberg News survey. The index is constructed such that a reading above 50 is intended to signal that manufacturing activity is expanding.

FRIDAY

Nonfarm payrolls were unchanged last month, the Labor Department said on Friday, and employers created a combined 58,000 fewer jobs than had been thought in June and July. Wall Street had been expecting a 75,000 increase in payrolls prior to the release of the report. The numbers were somewhat skewed however as a result of a strike by about

45,000 Verizon Communications workers, although that was somewhat offset by approximately 20,000 of public employees being added to Minnesota's payroll following the end of a partial government shutdown. The unemployment rate held steady at 9.1 percent based on separate survey of households.

QUOTE OF THE WEEK

> "The economy is struggling against stiff headwinds, which appear to have intensified in recent months. While it has clearly not fallen off the cliff, there is little to suggest it is anywhere close to regaining its momentum."
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> Millan Mulraine, senior macro strategist at TD Securities in New York.

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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