The Market Week in Review
For the Week Ending August 4, 2012

THE MARKETS

The stock market started the week rather quietly after last week's strong gains. But on Wednesday an automated stock trading program suddenly flooded the market with millions of trades, drawing renewed attention to trading irregularities that have plagued the stock exchanges in recent years. Markets fell on Thursday after European Central Bank President, Mario Draghi, caused more uncertainty about the future of the Euro Zone and its currency. Investors who were expecting a bold rescue plan from the ECB instead received a general statement of good intentions from Draghi. The bulls showed up in force on Friday in response to better than expected job numbers, erasing all losses for the week and snapping a four day losing streak across all the major indices.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	13,075.66	13,096.17	20.51	0.16%	7.19%
Nasdaq	2,958.09	2,967.90	9.81	0.33%	13.92%
S&P 500	1,385.97	1,390.99	5.02	0.36%	10.61%
Russell 2000	796.00	788.48	-7.52	-0.94%	6.42%

DAILY DEVELOPMENTS

MONDAY

The Dallas Federal Reserve released its monthly manufacturing survey for the Texas area on Monday. It showed a business activity index of -13.2 when a reading of +2.5 was widely expected. The production index came in at 12, which was 3.5 points lower than the 15.5 registered last month. Uncertainty regarding future government policy was cited as the primary cause for the declines.

TUESDAY

The Commerce Department said Tuesday that its measure of personal income rose 0.5 percent with wages increasing by 0.5 percent, the biggest gain since March. However, consumer spending was flat in June after declining 0.1 percent in May. As a result the savings rate rose to 4.4 percent in June, the highest level in a year. While the need for Americans to save more is readily evident, weak consumer spending was also the main reason the economy grew at an annual pace of just 1.5 percent in the second quarter of the year.

The S&P/Case-Shiller composite index of 20 metropolitan areas released Wednesday showed a 0.9 percent rise in single family homes in May on a seasonally adjusted basis, topping economists' expectations for a 0.5 percent gain. It was the 4th straight monthly increase and adds further support for the notion that the housing market is finally showing signs of improvement.

WEDNESDAY

For the second month in a row, the ISM Manufacturing Index was under 50, which suggests that the U.S. manufacturing sector is contracting, if only slightly. The index came in at 49.8, which was slightly below the expectations of economists surveyed by Briefing.com, who forecast it would rise to 50.1. The index was slightly improved from June's 49.7, however.

The Federal Reserve said Wednesday that "economic activity decelerated somewhat over the first half of the year" but did not announce new steps to stimulate growth. The Fed did say it was prepared to "provide additional accommodation as needed to promote a stronger economic recovery" and job growth if conditions worsen.

THURSDAY

The U.S. Department of Labor reported Thursday that initial jobless claims rose 8,000 last week, which was a minimal change after 3 weeks of severe volatility that was attributed to the summer adjustments for auto retooling. The latest number of 365,000 is in line with the four week average of 365,500. Comparing full month numbers from June show the jobless numbers down 20,000 and points to a slight improvement in the labor market.

Consumer confidence in the U.S. dropped last week and consumers expectations for the economy decreased to the lowest level in five months. The Bloomberg Consumer Comfort Index fell to 39.7 during the last week of July which is an increase from 38.5 reported in the previous period. The perception of the U.S. economy was the weakest since February, indicating that Americans do not see the economy improving in the immediate future.

FRIDAY

Unemployment rose slightly to 8.3 percent from 8.2 percent in June, while the payroll jobs gain actually improved for the month. This marks the 42nd consecutive month with an unemployment rate above 8 percent. Non-farm payrolls increased by a seasonally adjusted 163,000 jobs in July, after a downwardly revised 64,000 increase in June. Overall, the employment report was slightly better than expected and the market reacted favorably. Businesses continue to hire at a modest pace but the recovery is still slower than most are hoping for. While these numbers show that job creation is picking up, the slight increase in the unemployment rate keeps the door open for the Federal Reserve to take further action to simulate the economy.

TIDBITS

Almost 90% of the land where corn is grown in the U.S. is currently suffering from a drought according to the U.S. Department of Agriculture. As a result, corn prices have soared more than 50% during the past six weeks, while soybean prices have risen by more than 20%.

QUOTE OF THE WEEK

"If you put the federal government in charge of the Sahara Desert, in 5 years there'd be a shortage of sand."

Milton Friedman

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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