The Market Week in Review
For the Week Ending December 1, 2012

THE MARKETS

Investors remained focused on Washington once again this week, as our country's "leaders" continue their efforts to resolve the stalemate on how to avoid the so called fiscal cliff (that is the expiration of the Bush tax cuts and the automatic reductions in federal spending). The prevailing view on Wall Street is that a failure to reach a deal will push the U.S. back into recession, but these fears could be somewhat exaggerated given the changes would not occur over night. Nonetheless, there is little doubt that the stock market is hoping for a compromise. While doubtful, a "grand bargain" that seriously addresses America's budget deficit could be a boon to the nation's economic outlook, and to the equity markets. Unfortunately, if history is any indicator, the more likely outcome is that the politicians will just continue to kick the proverbial can further down the road.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	13,009.68	13,025.58	15.90	0.12%	6.61%
Nasdaq	2,966.85	3,010.24	43.39	1.46%	15.55%
S&P 500	1,409.15	1,416.18	7.03	0.50%	12.61%
Russell 2000	807.18	821.92	14.74	1.83%	10.93%

DAILY DEVELOPMENTS

MONDAY
The economy's momentum weakened last month, according to Monday's update of the Chicago Fed National Activity Index (CFNAI). The one month reading fell to -0.56 in October from a flat reading of zero in September making this six of the last eight months that the Index has been in the negative. The Index's three month moving average dropped to -0.56 in October from -0.36 in September. The last time the three month average was this low was November 2009. A negative reading indicates sustained U.S. economic performance as below-trend.

TUESDAY
Durable goods orders were nearly unchanged last month from September at a seasonally adjusted $216.95 billion, the Commerce Department said Tuesday. However last month's durable goods orders excluding transportation were up 1.5% after a 1.7% gain the previous month. Both reported figures exceeded expectations.

Consumer confidence rose in November to its best reading in more than four years, according to data released Tuesday by the Conference Board. It announced its consumer confidence index rose to 73.7 in November from 73.1 in October. The Board's present situations index was virtually unchanged at 56.6 vs. 56.7 in October, while its expectations index rose to 85.1 from 84.0 in October. Those claiming jobs are "plentiful" increased to 11.2% from 10.4%, while those claiming jobs are "hard to get" held steady at 38.8%.

WEDNESDAY

New home sales took a turn for the worse last month, according to the latest report form Commerce Department. It indicated sales of new single-family homes in the U.S. declined 0.3% in October to a seasonally adjusted annual rate of 368,000, which was considerably lower than preannouncement expectations. Also disconcerting was a 20,000 downward revision to the number of sales reported for September to 369,000.

The Fed released their Beige Book on Wednesday. It indicated that the U.S. economy is still growing modestly in hiring and consumer spending, but the manufacturing sector has slowed.

THURSDAY

The Labor Department announced on Thursday that new filings for unemployment benefits dropped 23,000 last week to a seasonally adjusted 393,000. That's the second decline in as many weeks and strongly suggests that the surge in unemployment benefit claims for the week through November 10th was attributable primarily to Hurricane Sandy.

The Commerce Department released their second estimate of the nation's gross domestic product for the third quarter on Thursday. It indicated that the economy expanded significantly faster than originally thought. According to the report real GDP increased during the third quarter at an annualized rate of 2.7%, as compared to the original 2.0 estimate. The latest estimate is a significant improvement over the second quarter's 1.3% growth rate. The news was not all positive, however, as most of the growth came from government spending and companies stockpiling inventory. Consumer spending and business investment in equipment and software were actually less than originally thought.

FRIDAY

The Commerce Department released data on Friday indicating that personal income was flat for the month of October, which was well below the market median forecast which called for a 0.3% increase. The disappointing results follow a 0.4% boost in September. Notably, the important wages and salaries component fell 0.2 percent after gaining 0.3 percent in September. However, the report also indicated that Hurricane Sandy had a negative impact on private wages and salaries.

TIDBITS

Eurozone finance ministers and the International Monetary Fund have reached an agreement on how to reduce Greece's long-term debt. The deal includes a long list of measures that are intended to reduce Greek debt to 124% of gross domestic product by 2020.

QUOTE OF THE WEEK

> In the course of evolution and a higher civilization we might be able to get along comfortably without Congress, but without Wall Street, never.
> -- Henry Clews, 1900.

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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