

The Market Week in Review

For the Week Ending December 22, 2012

THE MARKETS

The “fiscal cliff” negotiations continued to dictate market activity this week and market reactions to any news on a deal caused wide swings in stock prices. Early in the week the President and Speaker John Boehner seemed to suggest that they were both willing to compromise and as a result stocks were up by triple digits on Monday and Tuesday. Unfortunately stocks reversed course on Wednesday as negotiations turned sour and the President threatened to veto the Speaker’s “Plan B” budget proposal. As it turned out Speaker Boehner was not able to ram his Plan B through the House in the face of opposition to his proposal to raise rates on taxpayers collecting over \$1,000,000 in taxable income annually. That led to the stock market losing almost 1 percent on Friday as hopes that a deal will be reached on the “fiscal cliff” before year end were fading fast.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	13,135.01	13,190.84	55.83	0.43%	7.97%
Nasdaq	2,971.33	3,021.01	49.68	1.67%	15.96%
S&P 500	1,413.58	1,430.15	16.57	1.17%	13.72%
Russell 2000	823.75	847.92	24.17	2.93%	14.44%

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

The National Association of Home Builders reported on Tuesday that the housing sector has now improved for eight straight months and home builders are experiencing the best conditions in over 5 years. The housing market index has increased two points so far in December and is quickly approaching the key breakeven level of 50. When the index goes above 50 it means that more home builders describe current conditions as good than bad. The continued improvement in the overall index combined with the fact that the Midwest is already over the 50 level is a positive sign for the housing sector leading into 2013.

WEDNESDAY

Despite the uptick in the housing market index reported on Tuesday, the Commerce Department said on Wednesday that a slight pullback in housing starts was experienced in November. This was a minor retraction for homebuilders following strong gains in October and September, and the sluggishness is not expected to continue.

THURSDAY

The volatility in jobless claims continues as the Labor Department reported an increase in the number of first time applicants for unemployment benefits reached 361,000 last week, which is 17,000 more than the prior week. Continuing claims rose as well, up 12,000 to 3.225 million, but the four week average is down 33,000 to 3.241 million.

Meanwhile the Commerce Department said real GDP growth expanded at an annualized rate of 3.1 percent in its final estimate for the third quarter, compared to an annualized rate of 2.7 percent in the last estimate. This marks the fastest growth since late 2011 and was due in part to better than expected consumer spending.

FRIDAY

The Department of Commerce reported on Friday that personal income rebounded in November. At least some of the improvement was attributed to a return to more normal business conditions in the Northeast in the wake of Hurricane Sandy. Consumer spending, led by spending on durable goods and services, also saw a bump of 0.4 percent following a slight decrease of 0.1 percent in October.

Fiscal cliff concerns continue to impact consumer sentiment, according to the most recent survey results from the Institute for Social Research (ISR), which were released on Friday. Sentiment was down nearly 10 points to 72.9 following a reading of 82.7 for the end of November. To make matters worse, the outlook for the rest of December points to an even lower reading in the low 70's as consumers are becoming more skeptical that our representatives in Washington will get their collective act together by the end of the year.

TIDBITS

Retail gasoline prices in the U.S. reached their lowest level in over a year with the average price per gallon now under \$4.00 in all 50 states. The Energy Department reported on their website that gas dropped 9.5 cents on Monday to a national average of \$3.25, which is the lowest it's been since December 19, 2011. The trend of reduced consumption across the nation for the past four weeks has lead to decreased demand and falling prices.

QUOTE OF THE WEEK

"Economic depression cannot be cured by legislative action or executive pronouncement. Economic wounds must be healed by the action of the cells of the economic body - the producers and consumers themselves."

-Herbert Hoover

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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