

The Market Week in Review

For the Week Ending December 29, 2012

THE MARKETS

The stock market was again held hostage by the “fiscal cliff negotiations” during the shortened holiday week, and with no deal in sight stocks lost nearly 2 percent. Any reactions by investors to news on a deal were amplified given the low trading volume during the holiday week. This was especially evident on Thursday when stocks were down sharply early in the day after Senate Majority Leader Harry Reid expressed doubt that a deal would be reached by year end, but bounced back to erase much of the day’s losses after it announced that the House will reconvene ahead of schedule on Sunday. Regardless of what happens over the weekend and on Monday, the likelihood that both parties will come to agreement on anything other than a temporary fix is dwindling very fast.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	13,190.84	12,938.11	-252.73	-1.92%	5.90%
Nasdaq	3,021.01	2,960.31	-60.70	-2.01%	13.63%
S&P 500	1,430.15	1,402.43	-27.72	-1.94%	11.52%
Russell 2000	847.92	832.10	-15.82	-1.87%	12.31%

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

There were no major economic announcements on Tuesday. The stock market was closed in observance of Christmas.

WEDNESDAY

Case-Schiller’s 20 city home price index showed a gain of 0.7 percent in October following a 0.4 percent increase in September. Home prices are benefiting from low mortgage rates and loose monetary policy from the Fed, and as a result the housing sector continues to improve and homeowners are starting to regain some of their wealth lost as a result of the past recession.

THURSDAY

Jobless claims fell by 12,000 last week to 350,000, which was a larger decrease than analysts anticipated. However, the validity of this number is questionable because the Labor Department is forced to estimate the numbers from 19 states due to holidays on

Monday and Tuesday. The four week average, which is a more reliable than the weekly number, shows a decline of 11,250 to 366,750, so this does suggest some improvement in the job market.

The Commerce Department reported on Thursday that the new home sales increased by 4.4 percent in November to an annual rate of 377,000. Much of the increase was attributable to a rebound in the Northeast as homeowners impacted by Hurricane Sandy are returning to the market. Continued improvement in the new home market is positive for the economic outlook leading into the New Year.

FRIDAY

The pending home sales index increased considerably by 1.6 points to 106.4 in November, said the Commerce Department on Friday. Aside from the gains in 2010 that were mainly due to the home-buyer tax credit, the index is at its highest level since the real estate bubble debacle in 2007. This marks another positive sign for the housing market following Thursday's new home sales numbers.

TIDBITS

With all of the talk about the "fiscal cliff" few people are talking about the "milk cliff." The farm bill that is set to expire on January 1st contains something called the Dairy Product Price Program. It's designed to help farmers set minimum prices for milk, and if it is allowed to expire, milk will revert back to the price set more than 60 years ago. If Congress doesn't do anything the government may find itself buying a lot of dairy products at artificially high prices.

QUOTE OF THE WEEK

"The markets are willing to turn on a dime, on whatever the news, whether it's positive or negative. What the markets fear most is that we're in this paralysis where the government is unable to govern, communicate and compromise."

-Greg Peterson, Director of Investment Research at Ballentine Partners

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

Andrew J. Willms, J.D. LL.M.
Estate Counselors, LLC
414 N. Main Street
Thiensville, WI 53092
Phone (262) 238-6996
Fax (262) 238-6999
awillms@estatecounselors.com
www.estatecounselors.com

Important Disclosures: The information and statistics in this e-mail have been obtained from sources we believe to be reliable but are not guaranteed by us to be accurate or complete. Any and all earnings, projections, and estimates assume certain conditions and industry developments, which are subject to change. The opinions stated are those of Estate Counselors, LLC, but are not intended to be a substitute for personal investment advice. Services provided by Estate Counselors, LLC do not constitute legal services and are not being provided by Willms, S.C. law firm. Communications between Estate Counselors, LLC and its clients are therefore not covered by the attorney-client privilege, and as a result may be discoverable by third parties. All such communications are, however, covered by Estate Counselor, LLC's privacy policy, a copy of which is available on request. *Please let us know in a reply to this e-mail if you have received this message in error, or would like to discontinue receiving it.* Thank you.