

The Market Week in Review

For the Week Ending December 8, 2012

THE MARKETS

Stocks started the week lower as disappointing U.S. factory data combined with investor apprehensions about the looming Fiscal Cliff overshadowed positive economic reports from China. The markets turned positive mid week with both the Dow Jones Industrial Average and the S&P 500 finishing the week with a respectable 3 day rally. The Dow finished up over 81 points on Friday following a better than expected jobs report. The Fiscal Cliff negotiations are likely to continue dominating traders' thoughts and as a result volatile trading sessions can be expected to continue until an agreement is reached in Washington.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	13,025.58	13,155.13	129.55	0.99%	7.67%
Nasdaq	3,010.24	2,978.04	-32.20	-1.07%	14.31%
S&P 500	1,416.18	1,418.07	1.89	0.13%	12.76%
Russell 2000	821.92	822.27	0.35	0.04%	10.98%

DAILY DEVELOPMENTS

MONDAY

The Institute for Supply Management's Purchasing Managers' Index declined to 49.5 last month, compared with 51.7 in October. It was the fourth contraction in six months and is the lowest level in more than three years. Economists had been expecting the Index to hold steady at 51.7% in November.

Construction spending rose 1.4% in October according to information provided by the Commerce Department on Monday. Home construction jumped to the highest level since November 2008.

Americans bought more than 1.1 million new vehicles in November, up 15% from a year earlier and the highest pace since January 2008. That equates to a seasonally adjusted annual rate of about 15.5 million, the highest since January 2008, according to industry research firm Autodata Corp. Some of the gain was attributed to the need to replace some of the 250,000 vehicles estimated to have been destroyed by Sandy.

TUESDAY

There were no major economic announcements on Tuesday.

WEDNESDAY

Orders to U.S. factories rose 0.8 percent in October, the Commerce Department said Wednesday. That compared to September, when orders had jumped 4.5 percent. Orders for core capital goods, a category viewed as a good proxy for business investment plans, increased 2.9 percent in October, the biggest increase in eight months. Orders for durable goods rose 0.5 percent in October, while orders for nondurable goods, items such as chemicals and paper, were up 1.1 percent.

The Institute for Supply Management's non-manufacturing index, which attempts to measure the direction of retailers, construction firms and the like, rose to 54.7 last month from 54.2 in October. Readings above 50 signal expansion. Economists projected a decline to 53.5, according to a Bloomberg survey.

THURSDAY

The Labor Department reported that 370,000 people filed initial jobless claims last week, down 25,000 from the previous week. Claims had surged in mid November after Hurricane Sandy. The weekly figures have returned to levels consistent with pre-storm reports.

The net wealth of U.S. households in the third quarter grew from \$1.72 trillion to \$64.77 trillion, the Federal Reserve said on Thursday. That's its highest level since 2007. Rising home prices helped drive the increase in the latest quarter. The value of real estate owned by households rose about \$300 billion, the Fed said. Stock holdings climbed by about \$520 billion.

FRIDAY

The jobs report for the month of November was better than expected with the unemployment rate falling to 7.7 percent, as reported by the Labor Department on Friday. Non-farm payrolls surprisingly rose by 146,000 following an increase of 138,000 in October, and private payrolls advanced by 147,000, which was well above the 95,000 expected increase. Detracting from the good news was the participation rate which fell further to a new 30 year low of 63.6 percent.

The Institute for Social Research (ISR) reported that the nearing Fiscal Cliff caused a sharp drop in consumer sentiment last month. Its consumer sentiment index dropped by 8.2 points to 74.5. This reading comes in well below estimates and was primarily caused by the expectations component which declined by double digits. The report reflects consumers' skepticism that Congress will come to an agreement to avoid the looming hike in tax rates and spending cuts.

TIDBITS

Thousands of clerical staff and longshoremen at the ports of LA and Long Beach return to work this week after their employers and union representatives agreed to a deal that ended an eight day strike over work

contracts. The stoppage had shut down 10 of the ports' 14 terminals and prevented the delivery of \$760M of cargo a day.

QUOTE OF THE WEEK

"It's a good thing we don't get all the government we pay for."

Will Rogers

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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