

The Market Week in Review

For the Week Ending February 4, 2012

THE MARKETS

A stellar jobs report on Friday highlighted a week of mostly positive domestic economic data. Investors responded to the news by pushing all 4 of the major indexes sharply higher for the week. In fact, the NASDAQ closed at its highest level since December 2000. The evidence suggesting that the U.S. economy is at the early stages of an economic recovery is certainly building. Still, it is too soon to say with a high degree of confidence that the U.S. economy has turned the corner. There are still too many potential wild cards to justify a return to “irrational exuberance” that contributed to the 2008-2009 economic meltdown, in our opinion. We therefore do not recommend pursuing the “risk on” trades that are presently growing in popularity on Wall Street.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,660.46	12,862.23	201.77	1.59%	5.28%
Nasdaq	2,816.55	2,905.66	89.11	3.16%	11.54%
S&P 500	1,316.33	1,344.90	28.57	2.17%	6.94%
Russell 2000	798.85	831.11	32.26	4.04%	12.17%

DAILY DEVELOPMENTS

MONDAY

Personal income increased \$61.3 billion, or 0.5 percent, and disposable personal income (DPI) increased \$47.1 billion, or 0.4 percent, in December, according to data released by the Bureau of Economic Analysis on Monday. The wages and salaries component grew a healthy 0.4 percent after no change in November. However, the rise in income was not sufficient to convince shoppers to open their wallets, as overall consumer spending came in flat in December. Durables dipped 0.4 percent after a 0.3 percent gain in November. Nondurables fell 0.4 percent, following a 0.3 percent decline. Services in December advanced 0.2 percent in both December and November.

TUESDAY

Data released Tuesday indicates that seasonally adjusted housing prices have reached a post-bubble low. The Standard & Poor’s Case-Shiller seasonally adjusted housing index for 20 major metropolitan areas dropped by close to 0.7 percent from October. It was the second straight month that prices dropped in the surveyed markets with prices falling in October in 19 of the 20 cities tracked. Average home prices were back down to levels last seen in mid-2003.

Better news came on Tuesday in the form of the Conference Board's Consumer Confidence Index. It surged almost 10 points to 64.5, up from a revised 55.2 in November. Analysts had expected a reading of 59.

WEDNESDAY

Manufacturing is starting out the year on a positive note, with new orders, production and employment all growing according to the Institute for Supply Management's January manufacturing report on business for January 2012, which was released Wednesday. ISM's manufacturing index hit 54.1% last month, which represents an increase of 1 percentage point from December's seasonally adjusted reading of 53.1%. January was the 30th consecutive month the nation's manufacturing sector expanded, according to the report. (A PMI in excess of 42.6%, over a period of time, generally indicates an expansion of the overall economy.) The New Orders Index increased 2.8 percentage points to 57.6%, reflecting the 33rd consecutive month of growth in new orders. The growth in manufacturing is pushing prices of raw materials higher, as the Price Index rose from 47.5% in December to 55% in January. That represents the first increase in the cost of raw materials in four months.

THURSDAY

New U.S. claims for unemployment benefits fell a bit more than expected last week, a Labor Department report showed on Thursday. The number of initial claims for unemployment benefits fell 12,000 in the January 28th week to a slightly lower-than-expected total of 367,000. The 4 week average also improved with a 2,000 decline to 375,750. That makes last week the third straight decline in the 4 week average and the 8th decline in 9 weeks. It was also the 12th week that the average has come in below the 400,000 mark. Also encouraging is the data in the report indicating that continuing claims for the January 21st week fell by 130,000 to 3.437 million.

FRIDAY

Nonfarm payrolls jumped 243,000 in January, the Labor Department said on Friday. That represents the largest increase in the number of new U.S. jobs in nine months, and is a significantly better number than the 150,000 increase economists were predicting before the announcement. In addition, the unemployment rate dropped to 8.3 percent, which is the lowest it has been since February 2009. The unemployment rate has now fallen by 0.8% since last August.

TIBITS

60% of NBA players are bankrupt 5 years after retirement. Worse still, 78% of NFL players are bankrupt or under financial stress just two years after retirement. (*Sports Illustrated*.)

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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