

The Market Week in Review

For the Week Ending January 21, 2012

THE MARKETS

Stock prices rose for the third straight week this week as investors responded favorably to strong 4th quarter corporate earnings reports from several bell-weather companies. Technology stocks are leading the current rally, with Invesco's PowerShares QQQ ETF (which is indexed to the tech-heavy Nasdaq-100) closing on Friday at its highest price in over a decade. At the same time, bond prices fell and yields rose as investors demonstrated an increased willingness to add a greater level of risk to their portfolios.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,422.06	12,720.48	298.42	2.40%	4.12%
Nasdaq	2,710.67	2,786.70	76.03	2.80%	6.97%
S&P 500	1,289.09	1,315.38	26.29	2.04%	4.59%
Russell 2000	764.20	784.62	20.42	2.67%	5.90%

DAILY DEVELOPMENTS

MONDAY

The Markets were closed on Monday due to the Martin Luther King Holiday.

TUESDAY

There were no major economic announcements on Tuesday.

WEDNESDAY

The Producer Price Index, which measures changes in prices paid by manufacturers and providers of consumer goods and services, sent mixed signals on Wednesday. The Labor Department announced that its index fell 0.1 percent in December. The decline followed a 0.3 percent rise in November and was the first drop since October. However, higher prices for pickup trucks, cars, and pharmaceuticals pushed the core index (which excludes the volatile food and energy sectors) up 0.3 percent. That is the largest increase in this measure in five months.

THURSDAY

The Labor Department announced on Thursday that first-time applications for unemployment benefits for the week ended January 14th declined by 50,000 to a seasonally adjusted 352,000. That amounts to their lowest level since April 2008. Continuing unemployment claims also declined by 215,000 to a seasonally adjusted 3.43 million for the reporting week that ended on January 7th.

The consumer price index was virtually unchanged in December for the second straight month according to a second report the Labor Department issued on Thursday. Excluding the traditionally volatile food and energy sectors, so-called "core" price index rose a measly 0.1 percent. Lower gas prices offset rising costs for food, medical care and housing. In addition, consumers benefited from steep discounts retailers made to boost holiday sales.

The Commerce Department said on Thursday that housing starts fell 4.1 percent to a seasonally adjusted annual rate of 657,000 units. That's fewer than the 680,000 unit rate economists polled by Reuters had been predicting prior to the announcement. The number of buildings with five or more units on which construction commenced in December declined by 27.8 percent. However, there was also some good news in the report, as the number of single family buildings on which construction began in December rose by 4.5 percent.

FRIDAY

Sales of existing homes rose 5.0 percent to a 4.610 million unit rate in December, the National Association of Realtors announced on Friday. That makes December the third straight month the number of existing homes sold has risen. In addition, the median sales price rose by 0.3 percent to \$164,500 in response to a decline in supply. In fact the supply of existing homes on the market fell to 6.2, which amounts to the lowest reading on supply since 2006. However, the number of foreclosure sales and bargain purchases by investors makes clear that the real estate market still has a ways to go before it can be said to be healthy.

QUOTE OF THE WEEK

"Investing is not a game where the guy with the 160 IQ beats the guy with 130 IQ. What's needed is a sound intellectual framework for making decisions and the ability to keep emotions from corroding that framework."
-- Warren Buffet

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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