The Market Week in Review
For the Week Ending July 21, 2012

THE MARKETS

Stronger than expected corporate earnings pushed stock prices higher for most of the week, with the S&P 500 index hitting a 2 ½ month high on Thursday. But the market sold off on Friday after a Spanish region asked Madrid for financial aid, rekindling fears about Europe's economic crisis. When all was said and done, the 4 major indexes finished the week relatively close to where they started it.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,777.09	12,822.57	45.48	0.36%	4.95%
Nasdaq	2,908.47	2,925.30	16.83	0.58%	12.29%
S&P 500	1,356.78	1,362.66	5.88	0.43%	8.35%
Russell 2000	800.99	791.54	-9.45	-1.18%	6.83%

DAILY DEVELOPMENTS

MONDAY
U.S. retail sales were down 0.5% in June, the Commerce Department announced on Monday. It was the third monthly decline in a row, the first time that has happened since 2008. Economists surveyed before the announcement had on average expected a 0.2% increase. The biggest decline occurred at gas stations, where sales fell 1.8%. However, spending on autos also declined 0.6%. Excluding autos, retail sales fell 0.4%. In the past 12 months, U.S. retail sales are up a seasonally adjusted 3.5%, but they've dropped 0.6% in the past three months.

TUESDAY
Federal Reserve Bank Chairman Ben Bernanke testified before the Senate Banking Committee on Tuesday. Mr. Bernanke repeated the Fed's June assessment that economic growth has slowed, and is likely to remain slow. And he renewed his warning that scheduled tax increases and spending cuts would tip the economy back into recession. But he stopped short of stating that the Fed was planning to initiate another round of quantitative easing. He did, however, indicate that the Fed is "looking for ways to address the weakness in the economy, should more [stimulus] actually be needed."

Data released Tuesday by the Labor Department indicated that the Fed does not need to be overly concerned about inflation at present. The consumer price index was unchanged last month on a seasonally adjusted basis, the Labor Department said. Food prices rose 0.2%, but the cost of energy dropped 1.4% as electricity bills and the price at the pump eased. Excluding food and gas, core consumer prices rose 0.2% in June.

Separately, the Federal Reserve issued a report on Tuesday indicating that industrial production rose in June. More specifically, industrial production rose a seasonally adjusted 0.4% in June after a 0.2% dip in May. Compared to June 2011, production gained 4.7%.

WEDNESDAY
Housing construction in the U.S. increased 6.9% in June, according to data released by the Commerce Department on Wednesday. Housing starts reached a seasonally adjusted annual rate of 760,000 units, the most since October 2008. By comparison, housing starts were just 535,000 annualized in June 2011.

THURSDAY
The Labor Department stated that U.S. jobless claims jumped 34,000 to 386,000 last week. However, analysts indicated that the decline was most likely attributable to seasonal factors rather than a further weakening of the employment market. The four week claims average fell 1,500 to 375,500.

Sales of existing homes in the U.S. fell 4.5% between May and June, to a seasonally adjusted annual rate of 4.37 million, the National Association of Realtors reported Tuesday. Economists surveyed by MarketWatch expected an increase to 4.65 million. However, on a year over year basis, sales rose 4.5%, the 12^{th} straight gain by that measure. First time buyers accounted for just 32% of all buyers, down from 34% in May and below the 40% to 45% considered normal.

FRIDAY
There were no major economic announcements on Friday.

QUOTE OF THE WEEK

"[I]t looks as if Europe is taking center stage again, with Spain as the main act."
Quincy Krosby, market strategist at Prudential Financial.

TIDBITS

More than 50% of the United States is under drought conditions, putting 2012 in the same category as some of the worst droughts in history.

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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