

The Market Week in Review

For the Week Ending June 16, 2012

THE MARKETS

The financial markets began the week on Monday buoyed by an EU rescue of Spanish banks, but the early optimism was quickly replaced by concerns of Italy's financial instability. As the week progressed investors fretted over weak retail sales data on the home front and uncertainties surrounding Greece's upcoming elections. By Thursday and Friday, the Dow Jones Industrial Average posted two consecutive triple digit gains amid growing optimism that central banks will step in to stabilize markets amid the numerous rising financial strains in Europe.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,554.20	12,767.17	212.97	1.70%	4.50%
Nasdaq	2,858.42	2,872.80	14.38	0.50%	10.27%
S&P 500	1,325.66	1,342.84	17.18	1.30%	6.78%
Russell 2000	769.19	771.32	2.13	0.28%	4.10%

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday.

TUESDAY

Moody's Investors Service downgraded the government bond rating of Spain from A3 to Baa3, citing a planned rescue of banks. The credit rating agency also noted the nation's "very limited financial-market access" and economic weakness. Moody's placed Spain on review for further cuts.

WEDNESDAY

The Commerce Department reported on Wednesday that retail sales in the U.S. fell again in May, slipping 0.2% compared with April. Sales dropped to \$404.6 billion in May, a decrease of 0.2 percent from April, the Department's report said. It was the first two month decline since 2010. However, the decline may be more a result of the comparison to unusually strong sales in the first quarter of the year.

The U.S. producer price index was down 1.0% in May, the Labor Department reported Wednesday, in the biggest one month drop in close to three years. But core producer prices, excluding volatile food and energy, rose 0.2% – matching analysts' expectations.

THURSDAY

Consumer prices followed producer prices lower in May, declining by 0.3% during the month. The overall decline was led by a 4.3% drop in the price of energy, coupled with no change in food prices, the Labor Department reported Thursday. For the last 12 months, the inflation rate has been a mere 0.7%.

In a separate report that was also released on Thursday, the Labor Department announced that weekly applications for state unemployment benefits rose 6,000 to a seasonally adjusted 386,000, an increase from an upwardly revised 380,000 the previous week. Moreover, the four week average rose for the third consecutive week to 382,000. That's its highest level in for the last six weeks.

The U.S. current account trade deficit jumped 15.7% to \$137.3 billion, up from \$118.7 billion in the final three months of last year, the Commerce Department reported Thursday. U.S. exports of goods increased 1.6% to \$388.5 billion, but imports rose a larger 2% to \$583 billion.

FRIDAY

Friday brought three pieces of weak economic data. The June Empire State Manufacturing Survey showed manufacturing activity in the New York area slowed sharply in June, while a separate report showed U.S. industrial production fell in May. The Thomson Reuters/University of Michigan index of consumer sentiment for June fell to 74.1 from 79.3 at the end of last month. A Bloomberg survey projected a decline to 77.5.

TIDBITS

The Great Recession cut the median net worth of American families by almost 40% between 2007 and 2010, according to the Federal Reserve. The massive loss of jobs and the collapse of the housing market slashed the typical family's net worth from \$126,400 in 2007 to \$77,300 in 2010.

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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