The Market Week in Review
For the Week Ending June 2, 2012

THE MARKETS

Memorial Day resulted in a shortened trading week, but stocks started out on a strong note Tuesday amid speculation that China was planning for further stimulus and political leaders in Greece indicated a desire to remain in the European Union. Investors were also encouraged by a European Commission report that proposed the EU form a "banking union" that would allow cash to be injected into troubled banks in Spain and elsewhere. However, bad news later in the week on the nation's employment situation raised concerns that our economic recovery could be losing momentum, pushing stock prices sharply lower on Friday. When the dust settled, the Dow, Nasdaq, and the S&P were all below their 200 day moving averages.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,454.83	12,118.57	-336.26	-2.70%	-0.81%
Nasdaq	2,837.53	2,747.48	-90.05	-3.17%	5.46%
S&P 500	1,317.82	1,278.04	-39.78	-3.02%	1.63%
Russell 2000	766.41	737.42	-28.99	-3.78%	-0.47%

DAILY DEVELOPMENTS

MONDAY
The markets were closed Monday in observance of the Memorial Day holiday.

TUESDAY
Average home prices were down in March by 2.6% from 12 months earlier, according to the S&P/Case-Shiller Home Price Index of 20 major markets released on Tuesday. Home prices have not been this low since mid-2002. The rate of decline matched what economists surveyed by Bloomberg News had been predicting. The good news is that the Index rose from the prior month on a seasonally adjusted basis, and the rate of decline in home prices was the slowest in more than a year.

The Conference Board's Consumer Confidence Index declined to 64.9, significantly lower than the pre-announcement expectation of a 70.0 reading. That's the lowest level for the Index since the start of the year and the third monthly decline in a row. The Index of Consumer Attitudes fell to 64.9 from a downwardly revised 68.7 the month before, confounding expectations for a gain to 70.0. The report stood in stark contrast to a survey released last week by the University of Michigan that showed consumer sentiment rose to its highest level in more than four years.

WEDNESDAY
The National Association of Realtors said the Pending Home Sales Index dropped 5.5% in April to 95.5, its lowest level since December. Economists polled by Reuters expected the Index to rise 0.1%. However Lawrence Yun, the Association's chief economist, downplayed the disappointing data. "All of the major housing market indicators are expected to trend gradually up," said, chief NAR economist.

THURSDAY
Initial claims for unemployment benefits rose 10,000 last week to a seasonally adjusted 383,000, according to the Labor Department's weekly report. Claims have now risen 4 weeks in a row and in seven of the last eight weeks. The four week moving average for new claims increased 3,750 to 374,500.

Also on Thursday the Commerce Department said U.S. gross domestic product increased at a 1.9 percent annual rate in the first quarter, down from the 2.2 percent it had estimated last month. The economy grew at a 3.0 percent rate in the fourth quarter.

FRIDAY
Nonfarm payroll employment changed little in May (+69,000), which was the smallest increase in a year and approximately ½ of what economists had been expecting. The unemployment rate was essentially unchanged at 8.2 percent, the U.S. Bureau of Labor Statistics reported today. Employment increased in health care, transportation and warehousing, and wholesale trade but declined in construction. Employment was little changed in most other major industries.

TIDBITS

1. Thomson Reuters recently reported that the national savings rate in China is about 27%, compared with 3.5% in the USA.

2. Americans owed $904B in student loans at the end of Q1, nearly 8% higher on year, with 8.7% of the loans more than 90 days past due, the NY Fed says. And with many loans in deferment or grace periods, the actual amount in default is most likely significantly greater.

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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