The Market Week in Review
For the Week Ending June 23, 2012

THE MARKETS

The optimism that swept financial markets after Greece's parliamentary election came to a sudden end on Monday after Spain's cost of borrowing broke 7%, reaching a euro-era high. Midweek, the Federal Reserve said it will purchase an additional $267 billion in long-term Treasuries over the next six months in an effort to hold down borrowing costs and prop up the struggling U.S. economic recovery. Chairman Ben Bernanke said the central bank needs more information on the U.S. recovery and events in Europe before launching any major stimulus programs. On Thursday the equity markets suffered their second largest drop of the year, and when the equity markets closed on Friday the Big 4 market indexes were all down modestly for the week.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,767.17	12,640.78	-126.39	-0.99%	3.46%
Nasdaq	2,872.80	2,892.42	19.62	0.68%	11.03%
S&P 500	1,342.84	1,335.02	-7.82	-0.58%	6.16%
Russell 2000	771.32	775.16	3.84	0.50%	4.62%

DAILY DEVELOPMENTS

MONDAY
The National Association of Home Builders/Wells Fargo builder sentiment index was released Monday. The index rose in June to 29, the highest reading since May 2007. It increased from a reading of 28 last month, which was revised down one point from its initial figure. The index has now risen in seven of the past nine months, suggesting builders are starting to see the seeds of a recovery taking shape after years of stagnation.

TUESDAY
A commerce report on the state of the U.S. housing market contained both good and bad news, as housing starts fell 4.8% last month to an annual rate of 708,000 in May, while permits for future construction shot up to an annual rate of 780,000, which is the highest level since October 2008. Overall, starts have topped the 700,000 mark for five straight months, the first time that’s happened since late in 2008. But in a fully healthy housing market, housing starts should average 1.5 million or more.

The Job Openings and Labor Turnover Survey released Tuesday indicated that there were 3.4 million job openings in the U.S. at the end of April, which amounts to an 8 percent decline from the previous month. That’s a five month low and the sharpest percentage decline in about seven and a half years. The pace of total hiring also slowed, with 160,000 fewer jobs filled during the month. Moreover, the drop showed weakness across the employment spectrum, with manufacturing seeing 62,000 fewer job openings and construction dropping by 2,000.

WEDNESDAY
Economic projections released by the Federal Reserve on Wednesday indicated that the Fed is now expecting weaker growth, higher unemployment and softer inflation over the next few years than it previously expected. More specifically, the Fed is now forecasting GDP growth of between 2.2 percent and 2.8 percent, down from 2.7 to 3.1 percent in the April forecast.   . The unemployment rate this year is expected to be between 8.0% to 8.2%, which is up from April's projection of 7.8% to 8.0%. With regard to inflation, the belief now is that consumer prices will rise by 1.2% to 1.7% this year, versus the April estimate of 1.9% to 2.0%.

THURSDAY
New applications for unemployment benefits were largely unchanged last week, according to a report issued Thursday by the U.S. Department of Labor. The number of people seeking financial assistance for the first time declined by 2,000 to a seasonally adjusted 387,000. However, the four-week average rose by 3,500 to 386,250, the highest level since December.

The National Association of Realtors Home reported that existing home sales were down 1.5% in May from a month earlier to a seasonally adjusted annual rate of 4.55 million. Sales of lower priced homes -- those costing $100,000 or less -- are leading the decline, while sales of houses priced at $250,000 or more are on the rise. Lawrence Yun, the NAR's chief economist indicated that the decline in sales of less expensive homes is more likely a reflection of a lack of inventory as opposed to a lack of demand tied to a slowing economy.

FRIDAY
There were no major economic announcements on Friday.

QUOTE OF THE WEEK

> *"I wouldn't accept the proposition that the Fed has no more ammunition."*
>
> Ben S. Bernake, chairman of the Federal Reserve, in response to criticism that the Federal Reserve no longer has the wherewithal to prevent a double dip recession.

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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