

## The Market Week in Review

For the Week Ending June 9, 2012

### THE MARKETS

There wasn't much in the way of major economic data released last week, and so once again news regarding the situation in Europe dominated the thoughts of market participants. The markets responded favorably to suggestions that Germany was prepared to help rescue Spain's troubled banks, but some of that optimism was curtailed by the European Central Bank's decision to keep its main interest rate at 1%. European Central Bank President Mario Draghi warned that further stimulus to tackle the Euro Zone's debt crisis was not in the cards, at least for now.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,118.57	12,554.20	435.63	3.59%	2.76%
Nasdaq	2,747.48	2,858.42	110.94	4.04%	9.72%
S&P 500	1,278.04	1,325.66	47.62	3.73%	5.41%
Russell 2000	737.42	769.19	31.77	4.31%	3.82%

#### MONDAY

The Commerce Department reported on Monday that orders for manufactured goods in the U.S. fell 0.6% in April, marking the third time in four months that orders have declined. Economists had expected orders to increase 0.2%. New orders for motor vehicles and parts fell 0.5%, but an increase in new orders for civilian aircraft lifted the overall transportation sector. Outside transportation, durable good orders dropped 1.1 percent, with machinery down 2.9 percent and orders for computers and electronics off by 0.8 percent.

#### TUESDAY

The Institute for Supply Management's index of non-manufacturing businesses, rose to 53.7 in May, up slightly from April's 53.5. The median forecast of 75 economists surveyed by Bloomberg News projected a reading of 53.4. A reading above 50 signals an expansion of the non-manufacturing sector, which covers about 90% of the economy.

#### WEDNESDAY

Nonfarm productivity of U.S. workers declined in the first quarter of 2012 by an annual rate of 0.9% according to data released from the Labor Department on Wednesday. Economists had been expecting a 0.7% increase before the data was released. Unit labor costs rose but much less than expected, revised from a 2 percent gain to just a 1.3 percent rise. Taken as a whole, the report suggests that companies gave more hours to employees but only modestly expanded output.

The Federal Reserve's most recent "Beige Book", which is its review of economic activity in its 12 districts, strikes an optimistic tone regarding the U.S. economy. The report covering the time period from early April to late May, says the Fed has observed a modest but healthy expansion in manufacturing, travel and tourism, and signs of improvement in the long-troubled housing market. The Beige Book also reported that employment was "steady or showed a modest increase" and that residential and commercial real estate construction activity improved in most districts.

#### *THURSDAY*

The Labor Department's weekly jobs report was mixed this past week. New filings for unemployment benefits fell 12,000 to a seasonally adjusted 377,000, which is near the post-recession low of 361,000 in mid-February. However, the four week average rose by 1,750 to 377,750, which is up 1,750 from the 4 week average ending last week, and about even with the 4 week average reported this time one month ago.

Federal Reserve Chairman Ben Bernanke told the Joint Economic Committee of Congress on Thursday that the Federal Reserve is prepared to take further steps to bolster the U.S. economy and financial system in the event that financial stresses from the European crisis show signs of spreading to America.

China's Central Bank also announced it would be unexpectedly cutting its benchmark interest rate by 25 basis points in an effort to stimulate its economy. The benchmark one year lending rate will drop to 6.31 percent from 6.56 and the one year deposit rate will fall to 3.25 percent from 3.5 percent. It is the first time the People's Bank of China rolled back rates since the 2008 financial crisis. "The move appears to be bold and innovative, indicating that the monetary authorities believe inflation is declining but still a concern," said Liu Ligang, head of China's economics at the Australia and New Zealand Banking Group Ltd.

At the same time, the Bank of England Monetary Policy Committee decided to maintain interest rates at 0.5% and hold quantitative easing at £325 billion. Speculation had been building that Britain's central bank would take further action in an effort to stimulate its economy.

#### *FRIDAY*

The Census Bureau announced on Friday that the U.S. trade deficit shrank to \$50.1 billion from \$52.6 billion in March (originally estimated at \$51.8 billion). The consensus projection from surveyed economists was for a deficit of \$49.3 billion. Exports dipped 0.8 percent after a 2.5 percent increase in March. Imports declined 1.7 percent after a 5.2 percent jump in February.

## TIDBITS

Nasdaq said it will pay investment firms \$40 million to compensate for losses after the exchange's computer problems turned Facebook's initial public offering into chaos for days. The exchange said \$14 million will be paid in cash, and the balance will be in the form of credit against future trading fees.

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](mailto: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,

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