

The Market Week in Review

For the Week Ending March 24, 2012

THE MARKETS

This past week started with a trifecta of reports on the state of the housing market. Additional housing data was released on Friday. Taken in the aggregate, they suggest that while the domestic housing market remains depressed, it is improving, if ever so slowly. Other than that, minimal economic news combined with some profit taking led to a modest decline in stock prices. The S&P suffered its first weekly decline in more than a month, and only its second in 12 weeks. Only the tech heavy NASDAQ was able to eke out a slight gain.

| Index | Started Week | Ended Week | Change | % Change | YTD % |
|--------------|--------------|------------|----------|----------|--------|
| DJIA | 12,217.56 | 13,232.62 | 13080.73 | -151.89 | -1.15% |
| NASDAQ | 2,605.15 | 3,055.26 | 3067.92 | 12.66 | 0.41% |
| S&P 500 | 1,257.60 | 1,404.17 | 1397.11 | -7.06 | -0.50% |
| Russell 2000 | 740.92 | 830.18 | 830.03 | -0.15 | -0.02% |

DAILY DEVELOPMENTS

MONDAY

The National Association's Home Builders Index of Builder Confidence remained unchanged at 28 for the month of March. While that is 2 points less than the average of pre-announcement projections of surveyed economists, it nonetheless matches the index's highest score since June 2007. Cheaper homes and mortgage rates close to all-time lows are helping drive record housing affordability, which appears to have builders somewhat more encouraged about the future. But given that readings below 50 mean that a majority of those surveyed feel the home construction market is poor, plenty of doubt remains about the future of the housing market.

TUESDAY

Home builders broke ground on slightly fewer homes in February, the Commerce Department reported Tuesday. The seasonally adjusted rate of 698,000 housing starts represents a slight decline from January's revised figure of 706,000, which was the highest since October 2008. However, builders requested 5% more permits to build single-family homes and apartments in February. That increased the annual rate to a seasonally adjusted 717,000 permits.

WEDNESDAY

Sales of existing homes slipped 0.9 percent from January to February, but were up 8.8 percent from the same time a year ago, the National Association of Realtors reported on Wednesday. The small decline in existing home sales was somewhat of a disappointment. The number of homes for sale at the end of February rose 4.3 percent from January to 2.43 million, which represents a 6.4 month supply at the current sales pace of 4.59 million homes per year. That's up from a 6 month supply in January. In his comments NAR Chief Economist Lawrence Yun acknowledged that the housing market "is trending up unevenly".

THURSDAY

The latest unemployment numbers were released by the Labor Department on Thursday. First time applications for unemployment fell by 5,000 to a seasonally adjusted 348,000, which is the lowest level of weekly initial claims since February 2008. Claims from the prior week were revised slightly to 353,000, which is 2,000 higher than the original of 351,000. The four week average of claims declined to 355,000 which is also quite close to a four year low.

FRIDAY

The Commerce Department said Friday that new home sales dropped 1.6 percent last month to a seasonally adjusted annual rate of 313,000 homes. Sales have fallen nearly 7 percent since December. That's less than ½ of the number of new home sales one would expect in a healthy market. The original estimate for January was lowered by 3,000 to 318,000, but the December 2011 estimate was increased by 12,000 to 336,000. That makes last December's new home sales the most since the beginning of the recovery.

TIDBITS

A congressional report detailing the value of major tax breaks shows they amount to more than \$1 trillion a year - roughly the size of the annual federal budget deficit.

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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