

## The Market Week in Review

For the Week Ending May 12, 2012

### THE MARKETS

Stocks slumped this week, as Greece's struggle to form a new government intensified concern the country would exit the Euro Zone. The European Commission announced that the Euro Zone is in a "mild recession," with a recovery "forecast to set in slowly from the second half of the year on". The forecast is for the Euro Zone's GDP to contract 0.3% in the second half of this year and to expand 1% in 2013. Also hurting the equity markets was JPMorgan Chase's announcement that it took a \$2 billion loss on trading in synthetic credit derivatives as the result of a failed proprietary hedging strategy. The shocking announcement provides further evidence that even the "best and brightest" Wall Street investment managers are unable to devise a strategy that will allow them to consistently beat the markets.

Index	Week Open	Week Close	Change	% Change	YTD %
DJIA	13,038.27	12,820.60	-217.67	-1.67%	4.94%
NASDAQ	2,956.34	2,933.82	-22.52	-0.76%	12.62%
S&P 500	1,369.10	1,353.39	-15.71	-1.15%	7.62%
Russell 2000	791.84	790.06	-1.78	-0.22%	6.63%

### DAILY DEVELOPMENTS

#### MONDAY

The Federal Reserve said borrowing by U.S. consumers rose in March for the seventh month in a row. Total borrowing increased \$21.4 billion. That's the seventh straight monthly increase and the largest since November 2001. The steady rise in borrowing is considered to be a good sign for the economy by most economists, as it suggests that consumers are more confident and are therefore comfortable taking on more debt.

#### TUESDAY

The Labor Department reported Thursday that the number of job openings increased by 172,000 to 3.74 million, a significant improvement from a revised 3.57 million during March. That's the most unfilled jobs since July 2008. While manufacturers led the gain in job openings for the month, all industries except government agencies looked to expand hiring.

#### WEDNESDAY

Ben Bernanke issued a dire warning on Wednesday that the economy faces a "massive fiscal cliff" if Congress lets various tax cuts expire on January 1<sup>st</sup> along with the automatic

implementation of \$1.2T in spending cuts." All those things are hitting on the same day, basically. It's quite a big event," Bernanke said.

#### *THURSDAY*

The Labor Department reported on Thursday that first time claims for unemployment benefits in the U.S. decreased by 1,000 last week to 367,000. The four week rolling average, considered by many to be a better measure of labor market conditions, dropped 5,250, to 379,000.

Also on Thursday the government reported that the trade gap widened 14.1 percent to \$51.8 billion in March, the biggest jump in nearly a year. Analysts had been forecasting a deficit of \$49.5 billion. A 5.2% surge in imports outweighed increased exports, which rose by 2.9%. Taken together, the stats suggest that the global economy had not slowed as much as some investors have feared.

#### *FRIDAY*

The producer price index dropped 0.2 percent after no change in March, according to Labor Department figures released on Friday. It was the first drop in wholesale prices in 4 months. Economists had been projecting the index would be unchanged in April, according to the median estimate in a Bloomberg News survey. The 1.9 percent increase over the past 12 months was the smallest since October 2009, which could suggest that inflation in the immediate future remains unlikely.

The Thomson Reuters/University of Michigan preliminary May reading on the overall index on consumer sentiment improved to 77.8 from 76.4 in April, topping forecasts for 76.2. That's the highest reading since January 2008. 65% of survey respondents indicated they felt that the current conditions for buying automobiles and durable goods were favorable, which is the highest that percentage has reached in more than a year.

#### **TIDBITS**

Since the 2008 financial crisis, trading volume on U.S. equity markets has been falling. Credit Suisse Trading Strategy reported that the average daily trading volume of U.S. stocks on all exchanges in April was 6.5 billion, compared with 12.1 billion at its highest point in 2008.

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,

*Andy*

Andrew J. Willms, J.D. LL.M.  
Estate Counselors, LLC  
414 N. Main Street  
Thiensville, WI 53092  
Phone (262) 238-6996  
Fax (262) 238-6999  
awillms@estatecounselors.com  
[www.estatecounselors.com](http://www.estatecounselors.com)

Important Disclosures: The information and statistics in this e-mail have been obtained from sources we believe to be reliable but are not guaranteed by us to be accurate or complete. Any and all earnings, projections, and estimates assume certain conditions and industry developments, which are subject to change. The opinions stated are those of Estate Counselors, LLC, but are not intended to be a substitute for personal investment advice. Services provided by Estate Counselors, LLC do not constitute legal services and are not being provided by Willms, S.C. law firm. Communications between Estate Counselors, LLC and its clients are therefore not covered by the attorney-client privilege, and as a result may be discoverable by third parties. All such communications are, however, covered by Estate Counselor, LLC's privacy policy, a copy of which is available on request. *Please let us know in a reply to this e-mail if you have received this message in error, or would like to discontinue receiving it.* Thank you.