

## The Market Week in Review

For the Week Ending May 19, 2012

### THE MARKETS

Investor concerns about a spring slump in the U.S. economy eased somewhat last week as economic data suggested that the nation's economy is starting the second quarter on a positive note. Inflationary pressures remain in check, factory output is rising, and new home construction is close to a three year high. Nonetheless, stock prices were lower for 11 of the last 12 weeks, as market participants continue to be focused on the situation in Europe. It appears increasingly likely that Greece will be withdrawing from the EU, and the potential consequences of such a withdrawal have cast a pall on the equity markets, and have pushed bond yields lower. The end result was a drop in all 4 of the major market indexes.

| Index        | Started Week | Ended Week | Change  | % Change | YTD % |
|--------------|--------------|------------|---------|----------|-------|
| DJIA         | 12,820.60    | 12,369.38  | -451.22 | -3.52%   | 1.24% |
| Nasdaq       | 2,933.82     | 2,778.79   | -155.03 | -5.28%   | 6.67% |
| S&P 500      | 1,353.39     | 1,295.22   | -58.17  | -4.30%   | 2.99% |
| Russell 2000 | 790.06       | 747.21     | -42.85  | -5.42%   | 0.85% |

### DAILY DEVELOPMENTS

#### MONDAY

German GDP rebounded in the first quarter to rise 0.5%, more than double the forecasts of +0.2%, boosted by exports to emerging markets. France showed zero growth and Italy experienced a worse than expected 0.8% contraction, which means that it was mainly Germany that helped the Euro zone record flat growth in the quarter and avoid a recession.

#### TUESDAY

The Consumer Price Index was unchanged in April after a 0.3% boost the prior month. Analysts had been predicting the Index would be flat last month. The Index was held in check by a sharp decline in energy prices. The so-called "core CPI" which excludes food and energy sectors, grew 0.2%, matching the rise in March and also in line with forecasts. On a year on year basis the overall CPI fell to from 2.6% in March to a seasonally adjusted rate of 2.3% in April. That is right in line with the Federal Reserve's target rate of 2.0%.

Retail sales rose 0.1 percent in April, following a 0.7 percent increase the month before. The pre-announcement consensus forecast had been for a 0.1 percent advance. Motor vehicle sales deserves the credit for the majority of the increase, rising 0.5% during the month. If auto sales are excluded, retail sales increase only by a tepid 0.1% last month.

### WEDNESDAY

The Commerce Department said Wednesday the seasonally adjusted annual pace of construction of new homes reached 717,000 homes in April. That is a 2.6 percent increase for March's estimate, which was revised higher. Construction of both single family homes and apartments registered improvements. However, the number of building permits issued fell to a seasonally adjusted annual rate of 715,000. The decline can be attributed to a 23 percent drop in permits for new apartment buildings. Permits for single family homes rose almost 2 percent.

Also on Wednesday, the Federal Reserve reported that factory production rose 0.6 percent in April, erasing a 0.5 percent decline in March. Half of the April increase was attributable to a 3.9 percent jump in the production of motor vehicles and parts. That's the fifth consecutive monthly gain at auto plants and the biggest rise since January.

### THURSDAY

The Labor Department announced Thursday that new applications for unemployment benefits remained unchanged last week at a seasonally adjusted 370,000. The four week average declined by 5,000 to 375,000. Applications for unemployment benefits hit 392,000 in April but since then have been slowly declining. When applications drop below 375,000 a week, it will typically result in a decline in the unemployment rate.

### FRIDAY

There were no major economic announcements on Friday.

### QUOTE OF THE WEEK

*"In the event that the new general elections scheduled for 17 June fail to produce a government with a mandate to continue with the EU-[International Monetary Fund] programme of fiscal austerity and structural reform, an exit of Greece from [the Economic and Monetary Union] would be probable."*

*Fitch Ratings Ltd.*

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*

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