The Market Week in Review
For the Week Ending May 26, 2012

THE MARKETS

Several reports issued this week provided further evidence that the housing market is starting to recover. Sales of both new and existing homes are trending higher in most markets, as are the prices people are paying for residential property. Lower borrowing costs are helping to underpin demand. The average cost of a 30 year, fixed rate mortgage has fallen to 3.79 according to a Freddie Mac survey of lenders, which is a new all time low. The news from Europe was less positive, as the Euro fell to a new 52 week low. Nonetheless the equity markets were able to finish in the black and break a three week losing streak.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,369.38	12,454.83	85.45	0.69%	1.94%
Nasdaq	2,778.79	2,837.53	58.74	2.11%	8.92%
S&P 500	1,295.22	1,317.82	22.60	1.74%	4.79%
Russell 2000	747.21	766.41	19.20	2.57%	3.44%

DAILY DEVELOPMENTS

MONDAY
There were no major economic announcements on Monday.

TUESDAY
The National Association of Realtors said Tuesday that sales of existing homes rose 3.4% in April to a seasonally adjusted annualized rate of 4.62 million, from a downwardly revised 4.47 million in March. The NAR initially reported March sales at 4.48 million. Economists had been expecting 4.6 million annual sales rate. Median prices rose 10.1% to $177,400 on a year on year basis, the biggest percentage rise since January 2006.

WEDNESDAY
Sales of new homes in the United States increased 3.3% in April to a seasonally adjusted annual rate of 343,000, the Commerce Department said Wednesday. The median forecast in a Bloomberg News survey of 72 economists was 335,000. In addition, the median price rose to $235,700, a slight increase from March.

More evidence that the U.S. housing market is starting to recover came in the form of a report from the Federal Housing Finance Agency indicating that home prices rose 2.7% in the 12 months through March, the biggest year over year gain since November 2006. Values increased in every region of the country.

THURSDAY

New orders for durable goods edged 0.2% higher last month, the Commerce Department said on Thursday. The small gain follows a revised 3.7% drop in March. Economists had forecast orders for durable goods to increase 0.5% in April. Excluding transportation, orders fell 0.6% which is significantly worse than the preannouncement consensus expectation of a 0.9% rise. Non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending plans, fell 1.9% in April. This follows a 2.2% drop in April.

Also on Thursday the Labor Department announced that initial claims for state unemployment benefits declined by 2,000 to a seasonally adjusted 370,000. At the same time, last week's initial estimate was revised upward to 372,000 from the previously reported 370,000. The four week moving average for new claims, considered by many to be a better measure of the labor market's direction, dropped 5,500 to 370,000.

FRIDAY

The Reuters/University of Michigan Consumer Confidence Index jumped to 79.3, up nearly 3 points from April and up 1.5 points from the mid-month reading. This last comparison, which puts the Index at an implied 80.8 over the past two weeks, indicates that the rise in optimism is now building momentum. Lower gas prices and decreased concerns about inflation are most likely the primary reasons for the increased optimism.

TIDBITS

> Japan held a net $3.19T in foreign assets at the end of 2011, ensuring that it remains the world's top creditor nation. The increase suggests that China will not overtake the Japanese as the world's biggest lender in the near future.

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.

Our best wishes for a safe and enjoyable holiday weekend.

Best regards,

Andy

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