

## The Market Week in Review

For the Week Ending October 20, 2012

### THE MARKETS

The equity markets started the new trading week on a positive note as investors were apparently encouraged by several strong quarterly earnings reports, news of a low rate of inflation in September and continuing hopes for a Spanish bailout. Data suggesting the housing recovery was continuing pushed the equity markets higher mid-week. Unfortunately weaker than expected earnings results from Google, Microsoft and GE led to the largest single day drop on Friday since June.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	13,328.85	13,343.51	14.66	0.11%	9.22%
Nasdaq	3,044.11	3,005.62	-38.49	-1.26%	15.37%
S&P 500	1,428.59	1,433.19	4.60	0.32%	13.96%
Russell 2000	823.09	821.00	-2.09	-0.25%	10.81%

### DAILY DEVELOPMENTS

#### MONDAY

The Commerce Department reported Monday that retail sales increased 1.1% last month compared with August. The monthly increase was the third straight, and was led by improved vehicle, electronics, and appliance sales. Economists polled by Bloomberg had predicted a 0.8% rise.

In a separate report the Commerce Department also announced on Monday that U.S. business inventories increased 0.6 percent in August. In total inventories rose to \$1.6 trillion according to the report. An increase in automobiles held in inventory by new car dealers was a major contributor to the increase. Inventories excluding autos rose 0.2 percent.

#### TUESDAY

Output at factories, mines, and utilities rose 0.4 percent in September according to information released by the Federal Reserve on Tuesday. Last month's increase comes on the heels of a 1.4 percent drop in August, which was the biggest since March 2009.

A report issued by the Labor Department on Tuesday announced that the Consumer Price Index rose 0.6% in September, reflecting a jump in energy expenses. September was the second month in a row that the cost of living in the U.S. increased.

Other reports released on Tuesday showed there was little inflation outside of fuel costs and homebuilder confidence climbed to a six-year high.

A third report, this one issued by the National Association of Home Builders, indicated that confidence among builders of single-family homes edged higher by one point. Builder confidence is at its strongest level since June of 2006 according to the report.

#### *WEDNESDAY*

Housing starts in the U.S. surged 15 percent in September to the highest level in four years, according to data released by the Housing Department on Wednesday. More specifically, home construction jumped last month to an 872,000 annual rate, the fastest since July 2008. Over the past 12 months, work began on 34.8 percent more homes, the biggest year-over-year increase since April.

#### *THURSDAY*

The Labor Department's weekly report on new claims for unemployment benefits showed a 46,000 increase last week in the number of first time filers to a seasonally adjusted 388,000. However, the Labor Department said the increase was largely due to technical factors in the way the numbers are calculated. The four week rolling average, which is generally regarded as giving a better picture of labor market activity, edged up to 365,500.

#### *FRIDAY*

The National Association of Realtors said on Friday that existing home sales dropped a modest 1.7 percent last month to a seasonally adjusted annual rate of 4.75 million units, matching the median forecast in a Reuters poll. The original estimate of existing home sales last August was revised slightly higher to a 4.83 million-unit annual rate. The median price for a home resale was \$183,900 in September, up 11.3 percent from a year ago.

#### **TIDBITS**

According to Credit Suisse, the United States is expected to have 16.9 million millionaires by 2017. That would constitute a 53% increase from the 11 million millionaires there are today.

#### **QUOTE OF THE WEEK**

The late Louisiana Senator Russell Long once said that all tax proposals boil down to one principle: "Don't tax you, don't tax me, tax that fellow behind the tree." (I really like that one!)

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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