The Market Week in Review
For the Week Ending September 1, 2012

THE MARKETS

Many investors were in a wait and see mode for much of this week in anticipation of Fed Chairman Ben Bernanke's speech at the Jackson Hole symposium on Friday. The markets started the week flat after mixed economic reports. Stock prices rose slightly on Wednesday after the release of the Fed's Beige Book report showed continued improvements in the economy in early August. But those gains were surrendered on Thursday after reports from the European Central Bank that Spain will delay their decision on whether to seek a sovereign debt bailout. The market regained some of Thursday's lost ground on Friday in response to Chairman Bernanke's speech, during which he reaffirmed that that the Fed is ready to act if economic conditions do not improve. Investors were also encouraged by news that the European Central Bank is moving closer to enacting a quantitative easing program of their own. The rally on Friday wasn't enough to recover all of the week's earlier losses, but it was sufficient to push the market into the black for the month of August, something that has not occurred since 2009.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	13,157.97	13,090.84	-67.13	-0.51%	7.15%
Nasdaq	3,069.79	3,066.96	-2.83	-0.09%	17.73%
S&P 500	1,411.13	1,406.58	-4.55	-0.32%	11.85%
Russell 2000	809.19	812.09	2.90	0.36%	9.61%

DAILY DEVELOPMENTS

MONDAY
There were no major economic announcements on Monday.

TUESDAY
The Conference Board reported on Tuesday that Consumer Confidence is at the weakest level since last year's downgrade of U.S. government debt. The index was down to a 60.6 level, down 5 points for the month. All three components of the index were negative, showing a degree of pessimism in future business conditions, employment, and income.

Home prices continued to show strong signs of recovery on Tuesday with an increase of 0.9 percent in the Case-Schiller 20 city index. This is a year over year increase of plus 0.5 percent which is the first positive reading in almost 2 years. Unadjusted data showed an even stronger monthly gain of 2.3 percent, which comes as no surprise since summer is traditionally a strong period for home sales. Lower supply is helping to increase prices and as a result the housing sector should continue to gain traction.

WEDNESDAY
The U.S. Department of Commerce reported on Wednesday that Real GDP growth was revised up to 1.7 percent annualized, versus the initial estimate of 1.5 percent. The upward revision was attributed to higher estimates for personal consumption and exports. According to the GDP price index, economy wide inflation was at 1.6 percent which was in line with the market forecast.

The Federal Reserve's Beige Book released on Wednesday indicated that economic activity across most regions and sectors continued to expand modestly in July and early August. Highlights included a slight increase in retail sales with strength in auto sales. The biggest positive in the report was in both residential and commercial real estate.

THURSDAY
The U.S. Department of Labor reported on Thursday that new jobless claims remained unchanged last week at 374,000. The four week average of 370,250 is slightly higher than last week but lower than one month ago. Continuing claims also experienced little change, down 5,000 to 3.3 million, with the four week average up 9,000 to 3.32 million. The unemployment rate for insured workers has remained stagnate at 2.6 percent since mid-March. There were no extraordinary factors impacting the report, which points to no improvement in the unemployment rate.

FRIDAY
The U.S. Department of Commerce reported on Friday that factory orders strengthened in July led by a 2.8 percent increase for new orders. This is a significant increase from the 0.5 percent decline in June. The increase was led by a 4.1 percent increase in durable goods orders and a 1.5 percent increase for nondurable goods. Data from the manufacturing sector has been volatile in recent months, but July's increase is a positive sign for economic growth.

TIDBITS

The enormity of the pending Fiscal Cliff has been estimated as high as $600 billion, which equates to over 4% of GDP. The last time the U.S. experienced a tax hike this large as a percentage of GDP was in 1968, which was followed by a recession in 1969.

QUOTE OF THE WEEK

"The tax on capital gains directly affects investment decisions, the mobility and flow of risk capital... the ease or difficulty experienced by new ventures in obtaining capital, and thereby the strength and potential for growth in the economy."

John F. Kennedy

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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