

The Market Week in Review

For the Week Ending September 15, 2012

THE MARKETS

The Dow reached its highest closing price on Tuesday since December 2007 notwithstanding Moody's announcement that the country's triple-A rating may be stripped, causing the dollar to fall to a four month low. On Wednesday, Germany's Constitutional Court ruled that the Euro Zone's ESM rescue fund and the "fiscal compact" are constitutional, opening the way for the country's president to sign the proposals into law. In addition, European Commission President Jose Manuel Barroso announced plans to turn the European Central Bank into the Euro Zone's banking supervisor, the first step towards forming a banking union. The stock market soared to multi-year highs on Thursday after Fed Chairman Ben Bernanke announced another round of quantitative easing. The open-ended plan involves buying \$40 billion of mortgage-backed securities per month in attempt to bolster the faltering economy and labor market and to strengthen the recovery in the real estate market. Stocks finished higher for the fourth straight day on Friday after consumer sentiment jumped to its highest level in almost four months. The Dow pulled back mid-day after Egan Jones lowered the rating on U.S. sovereign debt to AA minus from AA, but bounced back to finish the day positive by 53 points.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	13,306.64	13,593.37	286.73	2.15%	11.26%
Nasdaq	3,136.42	3,183.95	47.53	1.52%	22.22%
S&P 500	1,437.92	1,465.77	27.85	1.94%	16.55%
Russell 2000	842.27	864.70	22.43	2.66%	16.71%

DAILY DEVELOPMENTS

MONDAY

The Federal Reserve reported on Monday that total consumer borrowing dipped to \$3.3 billion in July from June, to a seasonally adjusted \$2.705 trillion. The drop in credit card debt offset a small rise in a measure of auto and student loans. Overall, household debt has declined for 16 straight quarters to \$12.9 trillion in March, according to a separate Fed survey on consumer finances.

TUESDAY

The Commerce Department said Tuesday that the U.S. trade deficit grew to \$42 billion in July, which represents a 0.2 percent increase from June's deficit of \$41.9 billion. Fewer exports to Europe, India and Brazil offset a steep decline in oil imports. Overall U.S. exports fell 1 percent to \$183.3 billion. Imports dropped 0.8 percent to \$225.3 billion.

WEDNESDAY

There were no major economic announcements on Wednesday.

THURSDAY

The Labor Department reported on Thursday that initial jobless claims were up 15,000 to 382,000 last week. Tropical Storm Isaac contributed to the increase as many of the impacted states reported increases in their weekly number. On a positive note, continuing claims fell by 49,000 to 3.282 million for the September 1st week, resulting in the largest decline since early this year.

The Labor Department also said that PPI inflation increased by 1.7 percent in August fueled by increasing food and energy costs, and this is following an increase of only 0.3 percent in July. While the Fed disputes that additional stimulus caused a surge in inflation, the language used in Thursday's announcement does little to dispel fears over the possibility of increased inflation.

FRIDAY

On Friday the Commerce Department reported a slight gain of 0.9 percent in retail sales for the month of August, following a gain of 0.6 percent in July. Motor vehicle sales jumped by 1.3 percent following a slight gain of 0.1 percent the prior month. Rising gasoline prices lifted retail sales for gasoline stations by 5.5 percent in August following a modest gain of 0.4 percent in July. The other core components were mixed with some strength in building materials and food services, and weakness in electronics and appliance retailers.

The Labor Department reported Friday that the consumer price index surged by 0.6 percent in August mainly due to higher gasoline prices. Of all of the major components gasoline increased the most by 9.0 percent, followed by an increase of 5.6 percent in energy and a modest increase of 0.2 percent in food prices. Excluding food and energy the CPI increased by only 0.1 percent, which matched its gains for July.

TIDBITS

"I'm not confident at all" was the response given by Republican House Speaker John Boehner when asked if he believed that Congress and President Obama would reach a deal to avoid the fiscal cliff.

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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