The Market Week in Review
For the Week Ending September 8, 2012

THE MARKETS

A shortened week on Wall Street started with mixed results and below average trading volume. Again investors were in a wait and see mode, but this time around it was in anticipation of the European Central Bank's meeting on Thursday. Stocks recovered from their lows on Tuesday, but finished down slightly after a pair of disappointing economic reports. The markets traded in a tight range for most of the day on Wednesday as investors were cautious ahead of Thursday's European Central Bank meeting. Stocks surged on Thursday driven by upbeat economic reports in the U.S. and after European Central Bank President Mario Draghi announced the Central Bank's agreement on an "unlimited" bond buying program to help countries like Spain and Italy. The markets closed on Thursday at multi-year highs with the Dow Jones Industrial Average finishing at its highest level since December of 2007 and the S&P 500 logging its highest close in 12 years. Stocks hovered between incremental gains and losses on Friday after a weak jobs report points to another round of quantitative easing by the Federal Reserve. Despite Friday's performance all the major averages logged nice gains for the week.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	13,090.84	13,306.64	215.80	1.65%	8.91%
Nasdaq	3,066.96	3,136.42	69.46	2.26%	20.39%
S&P 500	1,406.58	1,437.92	31.34	2.23%	14.34%
Russell 2000	812.09	842.27	30.18	3.72%	13.68%

DAILY DEVELOPMENTS

MONDAY
There were no major economic announcements on Monday.

TUESDAY
The Institute of Supply Management reported on Tuesday that the manufacturing sector is going in reverse after a sharp contraction in August. The sub-50 level of 47.1 is the third straight month of contraction and is at its lowest level in over three years. New export orders contributed to the problem at 47.0, and have also contracted for the past three months. The lack of new orders is starting to impact production, which fell precipitously by 4.1 points to 47.2, and this is the first sub-50 reading since May 2009. One positive aspect of the report was continued gains in manufacturing employment, but this is not expected to continue unless orders increase soon.

Construction spending was unexpectedly weak in July and fell by the most in almost a year, as reported by the Department of Commerce. The decline in July was led by existing residential properties which declined 1.6 percent after a gain of 2.6 percent in June. New single family homes actually rose by 1.5 percent in July following a nice gain in June of 3.1 percent. While the report appears negative, private residential spending has continued its uptrend over the past few months.

WEDNESDAY
The Department of Labor reported on Wednesday that productivity growth in the second quarter was revised upward and was consistent with the upward revision in GDP. Despite a slowdown in output, nonfarm business productivity rose by an annualized rate of 2.2 percent compared to the initial estimate of a 1.6 percent gain. Unit labor costs were revised downward to an annual rate of 1.5 percent, compared to the initial estimate of 1.7 percent. The rise in second quarter productivity reflected a 2 percent gain in output following a 2.7 percent increase in the first quarter. Productivity growth is critical because it allows for higher wages and faster economic growth without causing inflation.

THURSDAY
Jobless claims fell considerably in the first week of September to 365,000, which is the lowest level in a month. The Department of Labor reported the weekly decline of 12,000 is the best week over week reduction in 6 weeks. Continuing claims remained high for the August 25th week at 3.322 million, but did fall slightly by 6,000. According to a report from ADP, private businesses added 201,000 jobs in August, which easily topped the expectations of a 145,000 gain.

FRIDAY
A lackluster employment report for August increases the likelihood of further easing from the Federal Reserve. The Labor Department reported on Friday that payroll jobs grew by only 96,000 following gains of 141,000 in July, despite the unemployment rate dropping slightly from 8.3 percent to 8.1 percent. Private payrolls increased by 103,000 in August versus the consensus estimate of 134,000. Friday's report was disappointing and casts doubt that the employment situation is gaining traction.

TIDBITS

> Some of the concern over the sovereign debt crisis in Europe was alleviated after this week's European Central Bank announcement, but the focus now turns to Spain, Europe's fourth largest economy. Borrowing costs in Spain have been on the rise as a result of a deepening recession and a crisis in their banking sector. While the Spanish Prime Minister Mariano Rajoy has yet to announce the country is seeking aid, it is expected that they will seek some sort of bail out.

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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