ESTATE COUNSELORS, LLC

ASSET MANAGEMENT

The Market Week in Review

For Week Ending August 10, 2013

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THE MARKETS

A combination of uncertainty regarding the Federal Reserve's plans to scale back its bond buying program and several corporate earnings misses combined to push stock prices down for the first three trading days of the week. Stock prices turned positive on Thursday in response to better than expected trade data from China that suggested its economic picture was improving. Another down day on Friday resulted in the worst weekly performance in the stock market since late June as investors found little reason to buy into stocks amid the ongoing worry about the Fed tapering its bond purchases.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	15,658.36	15,425.51	-232.85	-1.49%	17.71%
Nasdaq	3,689.59	3,660.11	-29.48	-0.80%	21.22%
S&P 500	1,709.67	1,691.42	-18.25	-1.07%	18.60%
Russell 2000	1,059.86	1,048.40	-11.46	-1.08%	23.44%

DAILY DEVELOPMENTS

MONDAY

The Institute for Supply Management's non-manufacturing index reading for July was 56, higher than expectations of 53.1 and up from last month's 52.2 reading. Most importantly new orders rose nearly 7 points to 57.7 for its best reading since December.

TUESDAY

The Commerce Department reported earlier Tuesday that the U.S. trade deficit narrowed by 22.4% to $34.2 billion from a $44.1 billion deficit in May. This is the lowest trade gap in more than 4 years. Analysts were expecting the U.S. trade deficit to narrow to $43.5 billion in June. More importantly, about two thirds of the improvement comes from non-oil goods.

WEDNESDAY

China's trade data for July topped expectations and provided evidence that the economy might be stabilizing following two years of slowing growth. Imports surged 10.9% on year vs. expectations of +2.1%, while exports rose 5.1% vs. +3%. According to Ting Lu, head of Greater China economics at Bank of America Merrill Lynch Global Research "Together with the rebounding official Purchasing Managers' Index...July trade data are supportive of a better economic outlook for China."

THURSDAY

Initial jobless claims climbed 5,000 to a seasonally adjusted 333,000 in the week ended August 3rd, the Labor Department said Thursday. Expectations were for it to rise to 339,000. The 4 week average, however, fell by 6,250 to 335,500, which is nearly the lowest level it's been since November 2007.

The National Association of Realtors announced Thursday that in the second quarter of this year the median selling price of an existing single-family home climbed to $203,500. That equates to a 12.2% increase when compared with the second quarter of 2012, which is the largest year on year gain since the fourth quarter of 2005. NAR's chief economist, Lawrence Yun, says a declining number of homes for sale is a major reason for the price increase.

FRIDAY

There were no major economic announcements on Friday.

TIDBITS

President Barack Obama said this week that government-sponsored mortgage-finance companies Fannie Mae and Freddie Mac should be phased out and replaced with a system that leaves most of the financial risk with private-sector lenders.

In related news, Freddie Mac announced it would be turning over $10.2 billion dollars to the U.S. Treasury as a result of profits it generated in the third quarter.

QUOTE OF THE WEEK

"A corollary of reining in this massive monetary stimulus in a timely manner is that financial markets may have become too accustomed to what some have depicted as a Fed 'put.' Some have come to expect the Fed to keep the markets levitating indefinitely. This distorts the pricing of financial assets, encourages lazy analysis and can set the groundwork for serious misallocation of capital."
- Federal Reserve Bank of Dallas President Richard Fisher

We 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 Andy Willms at awillms@estatecounselors.com or Garrett Alabado at galabado@estatecounselors.com. If you would like to discuss how current market conditions could impact your investments, please feel free to call us at the number listed below.

Best regards,

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