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ASSET MANAGEMENT

The Market Week in Review

For Week Ending August 17, 2013

THE MARKETS

Another week clouded by fears that the Federal Reserve will roll back its bond purchasing program resulted in the worst weekly performance in the stock market so far this year. Despite a rally in China's Shanghai Index stocks were flat on Monday, but bounced back on Tuesday after Atlanta Federal Reserve President Dennis Lockhart downplayed the fact that the Fed would begin tapering its bond purchases in September. The rally was short lived, however, as renewed fears of "tapering" and weaker than expected results from retail giant Wal-Mart gave investors little reason for confidence. Stocks finished the week with three straight days in negative territory, and bonds did not fare much better with the 10 year Treasury note yield hitting a two-year high of 2.86 percent on Friday.

Index	Started	Ended	Change	% Change	YTD %
DJIA	15,425.51	15,081.47	-344.04	-2.23%	15.09%
Nasdaq	3,660.11	3,602.78	-57.33	-1.57%	19.32%
S&P 500	1,691.42	1,655.83	-35.59	-2.10%	16.10%
Russell 2000	1,048.40	1,024.30	-24.10	-2.30%	20.60%

DAILY DEVELOPMENTS

MONDAY

The U.S. government ran a budget deficit of $97.6 billion in July, which was $28 billion larger than in July 2012, the Treasury Department said Monday. However, the funding gap for the first 10 months of the 2013 fiscal year totaled $607 billion, which is 38% less than it was during the same period last year. The White House projects the annual deficit will be $759 billion for this fiscal year, which would be the lowest since President Barack Obama took office in 2009.

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TUESDAY

Retail sales rose 0.2 percent in July, the Commerce Department said on Tuesday. Consumer spending excluding gas, building materials and cars increased by 0.5 percent, the strongest rate of increase in seven months.

Also on Tuesday the National Federation of Independent Business showed that sentiment improved among small business owners in July. The August update for July came in at 94.1, up 0.6 points from the previous month.

WEDNESDAY

The producer price index was unchanged last month after rising 0.8% in June, the Labor Department said Wednesday. Core prices, which exclude volatile food and energy costs, rose 0.1% in July and were up 1.2% from last year.

Total consumer debt stood at $11.15 trillion in the second quarter, down 0.7 percent from the previous quarter, according to the New York Federal Reserve Bank's quarterly household debt and credit report, which was released Wednesday. Household delinquency rates dropped to 7.6 percent in the three months to June, from 8.1 percent in the first quarter of the year.

THURSDAY

There were a slew of economic reports issued on Thursday. Here are the highlights.

- The consumer price index rose just 0.2 percent in July, much less than the 0.5 percent surge registered in June.
- The Labor Department reported that new claims for unemployment benefits fell 15,000 in the week ending August 10th to a new recovery low of 320,000.
- The Commerce Department said that its measure of industrial production was unchanged in July. Analysts forecast a 0.3 percent gain. The Department's original estimate that industrial production in June increased by 0.3% was lowered to a revised estimated increase of 0.2%.
- The National Association of Home Builders/Wells Fargo Housing Market Index rose three points to 59 in August.
- The U.S. Philadelphia Federal Reserve Bank's manufacturing Survey plunged from 19.8 in June to 9.3 in July. Analysts expected much less of a decline to 15.

FRIDAY

Housing starts rebounded nicely from a drop of 7.9 percent in June with a 5.9 percent gain in July. The increase was led by the multifamily component, which was up 26 percent after dropping 24.8 percent the month prior, while the single family component dipped slightly by 2.2 percent after increasing 1.2 percent in June. A gain of 2.7 percent in housing permits is a positive sign for Augusts' housing starts number.

After three months of strong gains, consumer sentiment experienced a precipitous drop of 5.1 points in the index in July. The index's reading of 80.0 is the lowest level since April of this year, and the decline was mainly due to a decline of 7.6 points in the current conditions component. Given the recent improvements in jobless claims and the uptrend in home prices, there is good reason to believe that the decline in confidence will be short-lived.

TIDBITS

The Justice Department filed a lawsuit on Tuesday in an attempt to block American Airlines and US Airways' proposed merger to create the world's biggest airline, citing concerns that consumers would end up paying higher fares and fees.

QUOTE OF THE WEEK

You can't fuel real economic growth with indiscriminate credit. You can only fuel it with well-allocated, long-term investment.
- James Surowiecki

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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