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ASSET MANAGEMENT

The Market Week in Review

For Week Ending August 3, 2013

THE MARKETS

Stock traders seemed apprehensive for most of the week ahead of a two day Federal Reserve meeting and a number of key economic reports. The Fed said it will maintain its bond buying program in an ongoing effort to strengthen the economy. That news combined with positive manufacturing data offset a rather weak employment report. The end result was the stock market posted modest gains, which was sufficient to push the Dow and the S&P 500 to at all time highs. Moreover, stock prices recorded their best return in July since 2010.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	15,558.83	15,658.36	99.53	0.64%	19.49%
Nasdaq	3,613.16	3,689.59	76.43	2.12%	22.19%
S&P 500	1,691.65	1,709.67	18.02	1.07%	19.88%
Russell 2000	1,048.51	1,059.86	11.35	1.08%	24.78%

DAILY DEVELOPMENTS

MONDAY

The National Association of Realtors (NAR) reported Monday that the pending home sales index declined 0.4 percent in June. A combination of rising mortgage rates, increasing home prices and limited supply negatively impacted sales. By region, the west continues to show strength with a gain of 3.3 percent in June, while all other regions were flat or down slightly for the month.

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TUESDAY

Home prices extended their gains in May with increases of 2.5 percent and 2.4 percent in the S&P/Case-Schiller Home Prices Indices for 10 and 20 City composites. On an annual basis, the 10 and 20 City composites increased 11.8 percent and 12.2 percent respectively, which marks the highest year over year gains in the indices since March of 2006. Both Dallas and Denver broke record levels that were last seen during the housing bubble.

The Consumer Board Confidence Index decreased marginally in July to 80.3 compared to June's number of 82.1. A decline of over 5 points in the expectations component in June reflects a lack of confidence in the current job market and that fewer consumers see job openings increasing over the next six months. However, a strong gain in the present situation component contradicts the expectations component and points to confidence that the economy will improve in the coming months.

WEDNESDAY

GDP growth beat expectations in the second quarter with an annualized gain of 1.7 percent following a 1.1 increase in the first quarter. Analysts projected growth of 1.1 percent for the second quarter. The gain was led by an expansion in nonresidential fixed investments of 4.6 percent and an increase in sales to domestic producers of 2.0 percent. The headline inflation for the GDP price index rose marginally by an annualized rate of 0.7 percent following the first quarter's increase of 1.3 percent.

A statement from the Federal Open Market Committee (FOMC) on Wednesday indicated that the Fed does not plan to immediately reduce its quantitative easing, but it did hint to the possibility of doing so in the coming months. The feds funds target rate was left unchanged at 0.25 percent and the characterization of the current economy was downgraded to "economy activity expanded at a modest pace".

THURSDAY

The Labor Department reported Thursday that jobless claims fell 19,000 last week to a new low point during the economic recovery of 326,000. However, the numbers may not be as positive as they appear based on the seasonal distortions caused by summer layoffs in the auto industry. Continuing claims also fell considerably by 52,000 in the July 20th week to 2.951 million as did the unemployment rate for insured workers, which is down to 2.3 percent.

The manufacturing sector accelerated in July as shown by a spike in the ISM's manufacturing index of 4.5 points to 55.4. This marked the highest level in the index in over 2 years. The gain was led by a 6.5 point surge in new orders to 58.3 and was followed by strong gains in employment, imports and export orders, and a decrease in inventories. One negative from the report was a contraction in prices, which comes as a surprise given the recent increase in fuel prices.

FRIDAY

Friday's employment report indicated that payroll jobs accelerated less than expected in July despite a larger than expected drop in the unemployment rate. Total payroll jobs increased by 162,000 in July after gaining 188,000 in June and 176,000 in May, and came in below expectations of a 175,000 increase. Private payroll jobs also missed expectations with a 161,000 gain, which was well below the estimate of 185,000. The labor force decreased by 37,000 in July after increasing by 17,000 the month prior.

The consumer sector experienced nominal gains in June as shown by increases in personal income and consumer spending. However, an increase in inflation cut into the gains for both. Personal income increased by 0.3 percent in June following a 0.4 percent increase in May, while consumer spending spiked by 0.5 percent after increasing by only 0.2 percent the month prior. June's headline inflation number of 0.4 percent was much higher than May's 0.1 percent but from a historical perspective the inflation rate remains tepid.

TIDBITS

The CNBC Fed Survey in July found that concerns with the U.S. budget deficit are at a seven month low. Only 40 percent of respondents said the U.S. should immediately put in place a deficit reduction plan, compared to 80 percent in January.

QUOTE OF THE WEEK

You get recession, you get stock market declines. If you don't understand that's going to happen, then you are not ready and you will not do well in the markets.
– Peter Lynch

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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