ESTATE COUNSELORS, LLC

ASSET MANAGEMENT

The Market Week in Review

For Week Ending December 21, 2013

Contact Us

- Our Website: www.estatecounselors.com
- Our E-mail: firm@estatecounselors.com
- Our Phone Number: (262) 238-6996
- Our Address: 414 N. Main Street Thiensville, WI 53092

THE MARKETS

The equity market responded positively to the Federal Reserve's announcement Wednesday that it would finally begin to reduce its bond purchases by $10 billion per month in January of next year. The decision was driven by stronger economic data combined with better than expected GDP growth in the third quarter. The news pushed the S&P 500 and the Dow Jones to new all time highs on Friday and resulted in the S&P 500's registering its largest weekly gain since July.

Oil prices rose 0.3 percent to $99.32 a barrel. Gold prices bounced back from last week's decline by rising 0.9 percent to $1,203 an ounce, while the U.S. dollar declined slightly against other global currencies.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	15,755.36	16,221.14	465.78	2.96%	23.79%
Nasdaq	4,000.98	4,104.74	103.76	2.59%	35.94%
S&P 500	1,775.32	1,818.32	43.00	2.42%	27.49%
Russell 2000	1,107.05	1,146.47	39.42	3.56%	34.98%

DAILY DEVELOPMENTS

MONDAY

Industrial production regained its positive momentum in November according to data released by the Federal Reserve's Board of Governors on Monday. Its manufacturing index rose 1.1 percent, as compared to the consensus estimate of 0.6 percent, and was well above the prior month's increase of only 0.1 percent. By major components, production of durable goods led the way with a 0.8 percent jump and manufacturing recorded a gain for the fourth consecutive month by increasing 0.6 percent.

TUESDAY

Inflation remained soft in November as shown by a flat reading in the Consumer Price Index (CPI) inflation following a decline of 0.1 percent in October. Energy and gasoline prices continued to drag down inflation with declines of 1.0 and 1.6 percent respectively. However, the year over year CPI increased to 1.2 percent, up from 0.9 percent in October.

WEDNESDAY

According to the Department of Commerce, housing starts spiked in November to 1,091,000. That was 22.7 percent above October's revised estimate of 889,000, and marked its highest level in the past six years. Another positive from the report was that the increase was not only due to a jump of 26.8 percent in the multi-family component, which is historically very volatile, but also included a strong gain of 20.8 percent in the single-family component.

The Federal Reserve announced Wednesday that it will begin reducing its bond purchases by $10 billion per month to $75 billion in January. The reduction will be split equally between treasuries and mortgage backed securities and any future reductions will be dependent on economic data. They Fed also indicated that they would likely keep key interest rates at record low levels even if the unemployment rate drops below their previously discussed threshold of 6.5 percent. This means that even after quantitative easing ends the economy will likely be supported by very low short-term rates.

THURSDAY

Initial jobless claims increased for a second straight week with a gain of 10,000 to 379,000, the Labor Department said on Thursday. Continuing claims also rose, up 94,000 to 2.884 million for the week of December 7th and the unemployment rate for insured workers crept up from 2.1 percent to 2.2 percent. However, it is important to keep in mind that the holiday season can cause disruption in jobless claims, and therefore changes in weekly numbers are not terribly significant.

The National Association of Realtors (NAR) reported a decline of 4.3 percent in existing home sales in November to an annualized rate of 4.90 million. Sales were also 1.2 percent below the 4.96 million mark from November of last year, which is the first time in almost two and a half years that sales were below their levels from the prior year. The NAR chief economist, Lawrence Yunn, cited higher mortgage rates, constrained inventory, and tight credit as the reasons for weak sales.

FRIDAY

As mentioned above, the economy expanded more than expected in the third quarter with real GDP growth rising to an annualized rate of 4.1 percent, up from the prior estimate of 3.6 percent. The upward revision was mainly due to stronger growth in personal consumption expenditures, slightly higher exports and slightly lower imports. Demand numbers for domestic products were also stronger than expected with an upward revision of final sales from 1.9 percent to 2.5 percent.

TIDBITS

According to the latest release of the "Blue Chip Financial Forecasts", economic growth is expected to accelerate in 2014 and grow at an above average rate by next summer. It is also expected that inflation will remain soft in the near-term, but core inflation will likely increase incrementally over the next year.

QUOTE OF THE WEEK

Well done is better than well said.
- Benjamin Franklin

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,

Andy
Andrew J. Willms, J.D. LL.M.

Garrett
Garrett Alabado

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Thiensville, WI 53092
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