The Market Week in Review
For the Week Ending January 5, 2013

THE MARKETS

Despite a five day losing streak leading up to the "fiscal cliff" deadline, stocks finished the last trading day of 2012 up sharply amidst optimism that a last minute deal would be reached. As it turns out a deal was made in the 11th hour and stocks soared by over 2 percent across all major indices on the first trading day of the New Year. The Dow Jones gained over 300 points, which marks only the fifth time that the Index logged triple-digit gains on the first trading day of the year. Stocks retreated slightly on Thursday after the Fed meeting minutes showed disagreement on continued quantitative easing, but finished the week strong on Friday after better than expected manufacturing data and signs that the job market is improving.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	12,938.11	13,435.21	497.10	3.84%	2.53%
Nasdaq	2,960.31	3,101.66	141.35	4.77%	2.72%
S&P 500	1,402.43	1,466.47	64.04	4.57%	2.82%
Russell 2000	832.10	879.15	47.05	5.65%	3.51%

DAILY DEVELOPMENTS

MONDAY
There were no major economic announcements on Monday.

TUESDAY
The stock market was closed on Tuesday in observance of New Year's Day.

WEDNESDAY
The Institute for Supply Management (ISM) reported only minor gains in their composite manufacturing index for December. The index finished the month at 50.7 which was better than November's reading of 49.5. Export orders have been showing growth as of late and breached the 50 level to 51.4 for the first time since May. The fact that most of the readings on manufacturing are strengthening suggests the sector could be a contributor to economic growth in 2013.

THURSDAY
Jobless claims increased by 10,000 last week to a seasonally adjusted 372,000 the Labor Department announced on Thursday. However the data for nine states was estimated due to the Christmas and New Year holidays making the data less reliable.

According to the minutes from the Federal Open Market Committee (FOMC) released on Thursday, the debate over the extent and duration of quantitative easing continues. The economic outlook remained neutral and many participants anticipate that economic expansion will remain moderate this year. This means that monetary policy could remain extremely loose throughout the year unless the job market improves drastically. However some Committee members believe that at least some of the Federal Reserve's monetary easing programs should be discontinued by the end of the year. Another concern is that continued purchases could result in an increasing dependency on those purchases by bond investors, thereby inhibiting the Committee's ability to withdraw monetary policy accommodation when it decides to do so.

FRIDAY
Despite the unemployment rate holding steady at 7.8 percent in December, the jobs report released by the Labor Department on Friday shows some signs of improvement. Payroll jobs met expectations with gains of 155,000 after an increase of 161,000 in November, and private payrolls exceeded projections slightly with an increase of 168,000. In the private sector the positive surprise was in the good-producing sector which rebounded with a 59,000 increase after a slight dip the month prior. Overall the data points to the labor market gaining traction to start the New Year.

TIDBITS

While the initial deal on the "fiscal cliff" averted tax hikes for most Americans, it did very little to address deficit reduction and entitlement reform. Over the next two months the debate will focus on the $109 billion in cuts to military spending and entitlement programs such as social security and Medicare that are currently pending.

QUOTE OF THE WEEK

"If investing is entertaining, if you're having fun, you're probably not making any money. Good investing is boring."
-George Soros

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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