

The Market Week in Review

For Week Ending June 1, 2013

THE MARKETS

Stocks started the shortened holiday week on Tuesday with strong gains amid positive housing data and a boost in consumer sentiment. Uncertainty surrounding the Federal Reserve tapering its bond purchasing program combined with a sell-off of high yielding dividend stocks pushed the market into negative territory on Wednesday. Stocks posted modest gains on Thursday after weaker than expected economic data provided optimism that the Fed may continue with its bond buying.

Friday was the last trading day in May. May has not been kind to utilities and consumer staples ETFs as investors rotate away from non-cyclical dividend sectors as interest rates rise and investors gain more confidence in stocks and the economy. Investors have been moving funds into sectors that benefit from economic growth, as confidence in the economic recovery grows. Only time will tell if this optimism is justified.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	15,303.10	15,115.57	-187.53	-1.23%	15.35%
Nasdaq	3,459.14	3,455.91	-3.23	-0.09%	14.45%
S&P 500	1,649.60	1,630.74	-18.86	-1.14%	14.34%
Russell 2000	984.28	984.15	-0.13	-0.01%	15.87%

DAILY DEVELOPMENTS

MONDAY

There were no major economic announcements on Monday. The stock market was closed in observance of Memorial Day.

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TUESDAY

Consumer confidence jumped in May to its highest level since early 2008 on rising home prices, increasing stock prices, and strength in the jobs market. The index increased 7.2 points to 76.2 which is considerably better than April's level of 69.0. The assessment of the present situation and expectations also increased substantially in May as compared to April.

A strong start to the spring housing season boosted the S&P/Case-Shiller 20-city Home Price Index by 1.1 percent in March. Both new and existing home sales have benefited from low mortgage rates, increasing demand, and rising home prices. March was the fourth straight month the index rose by more than 1.0 percent. The year over year increase of 10.9 percent is the first double digit yearly gain since May of 2006.

WEDNESDAY

Markets were caught off guard on Wednesday by a decision by the Brazilian central bank's Monetary Policy Committee to raise its benchmark interest rate by 50 basis points. The rate now stands at 8%. The press release reporting the increase stated that "[T]he [policy committee] judges that this decision will contribute to put inflation on a downward trajectory and ensure that this tendency persists into the next year".

THURSDAY

The Department of Commerce reported Thursday that the U.S. economy expanded at an annualized rate of 2.4 percent in the first quarter. The gain in GDP was mainly attributable to increases in personal consumption expenditures and inventory investment. The negative contributions to GDP were centered on federal, state, and local government spending.

Initial jobless claims rose unexpectedly last week by 10,000 to 354,000 the Labor Department said on Thursday. The improvement in initial claims has stalled over the past two months following improvements through late March, and the four week average increased 6,750 to 347,250. Continuing claims for the May 18th week increased by 63,000 to 2.986 million, but despite the increase the four week average is down 11,000 to 2.987 million.

FRIDAY

Consumer income and spending were soft in April as shown by a slight rise in personal income of 0.3 percent and a decline in spending of 0.2 percent. Personal income came in below the forecasted increase of 0.2 percent and was mainly due to the wages and salaries component which was unchanged from the month prior. The decline in spending was attributable to both declining gasoline prices and a lower than expected gain in nondurables.

TIDBITS

The recent increase in interest rates has resulted in the 10 year Treasury yield surpassing the average dividend yield of stocks in the S&P 500. As of last Friday the 10 year yield was 2.09 percent and the S&P 500 dividend yield stood at 1.98 percent.

QUOTE OF THE WEEK

The art of prophecy is difficult, especially with regards to the future.
-Mark Twain

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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