The Market Week in Review
For the Week Ending March 2, 2013

THE MARKETS

Stocks plunged on Monday with all 3 major indexes losing more than 1 percent as investors remained concerned that Italy's election results could impede Europe's ability to stem its financial crisis. As a result, the VIX index, which is the best gauge of fear in the market, spiked over 30 percent and closed at its highest level since November of last year. The market rebounded on Tuesday and Wednesday with significant gains following a speech by Fed Chairman Ben Bernanke defending the Fed's current monetary policy, and after a batch of positive economic reports. After erasing earlier gains in the final minutes of trading, stocks finished down slightly on Thursday but up overall for the month of February. The Dow Jones kicked off March by opening down over 100 points but bounced back following better than expected manufacturing data to finish up within 100 points of its all time high.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	14,000.57	14,089.66	89.09	0.64%	7.52%
Nasdaq	3,161.82	3,169.74	7.92	0.25%	4.98%
S&P 500	1,515.60	1,518.20	2.60	0.17%	6.45%
Russell 2000	916.15	914.73	-1.42	-0.15%	7.70%

DAILY DEVELOPMENTS

MONDAY
There were no major economic announcements on Monday.

TUESDAY
The Department of Commerce reported a jump in new home sales in January of 15.6 percent to an annualized number of 437,000. Tuesday's number well exceeded market expectations for January of 381,000. The trend in home sales continues to trend up gradually and is supported by low mortgage rates and a stabilizing job market, but growth has been constrained by tight credit and lackluster employment growth.

Consumer confidence bounced back after January's pullback with a gain of 10 points for a reading of 69.6. Income expectations, which were hit hard in January as a result of the increase in payroll taxes, rebounded strongly in February. 15.7 percent of consumers expect an increase in income over the next few months compared to 13.5 percent in January, and those expecting a decrease in income fell to 19.6 percent from 23.3 percent the prior month.

WEDNESDAY
The volatility in durable goods orders continued in January said the Department of Commerce on Wednesday. New factory orders for durables dropped 5.2 percent in January following a spike of 3.7 percent in December, and came in below analysts' expectations of a 4.0 percent decline. The primary cause of the decline was the transportation component which plummeted 19.8 percent following a 9.9 percent gain in December. Apart from transportation the durable orders increased moderately by 1.9 percent following a 1.0 percent rise in the prior month.

The pending home sales number reported by the National Association of Realtors on Thursday showed significant improvement so far in February. The number of contracts signed for the purchase of existing homes was up 4.5 percent which was well above the Econoday forecast of a 3.0 percent gain. The scarcity of supply has shifted the advantage to sellers and has positively impacted prices which continue to rise.

THURSDAY
The Labor Department reported on Thursday that there has been little improvement in the job market for the month. Initial claims did fall more than expected by 22,000 for the February 23rd week to 344,000. However, last week's decline follows a considerable increase of 24,000 for the week prior. Continuing claims have been showing signs of improvement and fell 91,000 to 3.074 million for the February 16th week, which brings the four week average down 36,000 to 3.255 million.

Real GDP growth in the fourth quarter of 2012 was revised upward to an annualized rate of 0.1 percent, which is above initial estimates of a 0.1 percent decline. The Commerce Department said on Thursday that there are two main takeaways from the GDP numbers. First off, inventory investment numbers were lower than expected, suggesting that business held back due to the fiscal cliff issues at the end of last year. This means it's likely that business will rebuild inventory in the first half of 2012. Secondly, with inflation remaining low the Fed is likely to continue its loose monetary policy. Despite the disappointing fourth quarter numbers it appears that momentum in the economy is picking up.

FRIDAY
Friday's ISM manufacturing report is good news for the manufacturing industry that is showing accelerating monthly growth and an increase in overall activity. The Institute for Supply Management reported an increase of 1.1 percent to 54.2 in the headline index, and new orders saw an even stronger gain of 4.5 percent to 57.8. Another positive from the report is that new orders for exports are strengthening and saw a 3.5 point gain to 53.5. One negative from the report is growth for employment which decreased by 1.4 points to 56.2, but is expected to rebound given the strength in new orders.

TIDBITS

The automatic spending cuts of $85 billion known as the "sequester" went into affect on Friday. The cuts are equally divided between defense and non-defense and their overall impact on the economy this year is still under debate. Initial estimates range for a half of one percent to one percent reduction in growth to little or no impact.

QUOTE OF THE WEEK

Some people regard private enterprise as a predatory tiger to be shot. Others look on it as a cow they can milk. Not enough people see it as a health horse, pulling a sturdy wagon.
-- Winston Churchill

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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