The Market Week in Review
For the Week Ending May 18, 2013

THE MARKETS

Stocks started the week flat on Monday after the Federal Reserve announced over the weekend that it may scale back its bond buying program. Despite a couple of lackluster economic reports, the market rallied mid-week amid strong investor optimism and upbeat corporate earnings, and the Dow Jones finished positive for the 18th consecutive Tuesday. Stocks pulled back from earlier gains on Thursday to finish the day negative after the Labor Department reported a jump in jobless claims. An overall good week for stocks closed with strong gains on Friday, and the market has now been up for the past three weeks. Gold posted its worst weekly return in nearly four years.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	15,118.49	15,354.40	235.91	1.56%	17.17%
Nasdaq	3,436.58	3,498.97	62.39	1.82%	15.88%
S&P 500	1,633.70	1,667.47	33.77	2.07%	16.92%
Russell 2000	975.16	996.28	21.12	2.17%	17.30%

DAILY DEVELOPMENTS

MONDAY
The Department of Commerce reported Monday that retail sales edged higher by 0.1 percent in April despite the decline in gas prices. The increase was better than analysts' forecast of a 0.3 percent decline and was an improvement from March's dip of 0.5 percent. Auto sales showed a surprising gain of 1.0 percent following a drop of 0.6 percent the month prior.

TUESDAY
Import prices fell by 0.5 percent in April and have declined by 0.1 percent the past two months, when excluding petroleum prices. The year-over-year rate is a negative 2.6 percent. A decline in export prices of 0.7 percent was led by agricultural prices which fell 2.2 percent, and the year-over-year rate is down to a minus 0.9 percent.

WEDNESDAY
The producer price index matched expectations with a 0.7 percent decline in April following a 0.6 decrease in March. Food prices fell 0.8 percent after increasing 0.8 percent the month prior, and energy prices declined by 2.5 percent after dropping considerably by 3.4 percent in March. The core rate, which excludes food and energy, increased slightly by 0.1 percent following March's increase of 0.2 percent.

THURSDAY
The recent improvement in jobless claims reversed last week as reported by the Labor Department on Thursday. Initial claims were up 32,000 to 360,000, which is the highest level since the end of March. Continuing claims continued to improve by declining 4,000 for the May 4th week to 3.009 million, and the four week average is down a sizeable 21,000 to 3.015 million.

Housing starts in April sunk by 16.5 percent following an increase of 5.4 percent in March. The decline was lead by a 38.9 percent plunge in the multifamily component, which was up 25.6 percent the month prior. On a positive note, housing permits increased more than expected with a boost of 14.3 percent after falling by 6.5 percent in March.

Inflation softened in April as shown by a 0.4 percent decline in the consumer price index (CPI). April's rate was below the anticipated 0.3 decline and was lead by drops in energy and gasoline prices of 4.3 percent and 8.1 percent respectively. The year-over-year overall CPI inflation rate fell to 1.1 percent, down from March's rate of 1.5 percent, and remains well below the Fed's target rate of 2.5 percent.

FRIDAY
Recent improvements in the job market helped boost consumer sentiment in mid-May to 83.7, which is considerably higher than the end of April number of 76.4. The current conditions component jumped 7.6 points to 97.5, suggesting May's employment and consumer spending numbers will be better than April's. A boost in the expectations component of 7.0 points to 74.8 hints at economic strength for the next six months.

TIDBITS

> The Congressional Budget Office has reported that the U.S. budget deficit for the fiscal year that ends September 30th will be $200 billion less than it projected just three months ago, as the recovering economy boosts government revenues. The CBO is now predicting that the shortfall will narrow to about $642 billion, which amounts to 4% of the gross domestic product. The agency expects the deficit to contract to 2.1% of GDP by 2015 and then increase through the rest of the decade.

QUOTE OF THE WEEK

> The individual investor should act consistently as an investor and not as a speculator.
> –Benjamin Graham

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

Estate Counselors, LLC
414 N. Main Street
Thiensville, WI 53092
Phone (262) 238-6996
Fax (262) 238-6999
www.estatecounselors.com