

The Market Week in Review

For Week Ending November 2, 2013

THE MARKETS

An announcement by the Federal Reserve that it intended to continue injecting liquidity into the U.S. economy by buying Treasury bonds was not enough to keep traders from taking some profits after the stock market's recent rally. Small caps suffered the most this week, as evidenced by a 2% decline in the Russell 2000 index. Even still, stocks managed solid gains overall for the month of October with all four of the major indices finishing the month with solid gains. The DJIA, Nasdaq and S&P 500 all rose by at least 3 percent.

The dollar rebounded from its recent decline to finish the week in the midst of a six day winning streak. Crude oil prices fell almost two percent and fell below \$95 per barrel for the first time since June. Gold prices fell almost 3 percent for the week and finished at a two week low.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	15,570.28	15,615.55	45.27	0.29%	19.17%
Nasdaq	3,943.36	3,922.04	-21.32	-0.54%	29.89%
S&P 500	1,759.77	1,761.64	1.87	0.11%	23.52%
Russell 2000	1,118.34	1,095.67	-22.67	-2.03%	29.00%

DAILY DEVELOPMENTS

MONDAY

Overall industrial production increased 0.6 percent in September after gaining 0.4 percent the month prior according to the Federal Reserve's Board of Governors on Monday. Strength was exhibited in the production of durable goods which increased 0.5 percent to an annualized rate of 2.7 percent and was led by a spike in the output of motor vehicles and parts of 2.0 percent for the month. Utilities output spiked 4.4 percent due to abnormally cool weather for the month of September. However, the manufacturing component gained only 0.1 percent following August's 0.5 percent jump.

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The National Association of Realtors (NAR) estimates that its pending home sales index dropped 5.6% in September to 101.6, its lowest reading since December of 2012. September's decline marked the fourth consecutive monthly decline. The NAR cited the government shutdown, which led to government workers and contractors staying out of the housing market, as a major reason for September's decline.

TUESDAY

The Commerce Department estimates that retail sales were down 0.1 percent following a gain of 0.2 percent in August. However, core retail sales (which exclude auto sales) advanced 0.4 percent for the month after edging up 0.1 percent in August. Gains in core sales were led by food and beverage and electronic stores, while weakness was shown in clothing and accessory retailers.

The University of Michigan's Consumer Confidence Index fell from 80.2 in September to 71.2 in October. This was well below the consensus estimate of 74.3 and marked the largest monthly decline since January. The decline was almost entirely attributable to the expectations component, which tumbled from 84.7 to 71.5 to the lowest point this year.

The S&P Case Shiller Home Price Index for 20 cities showed that home prices accelerated by 0.9 percent in August up from July's increase of 0.6 percent. This marked the first monthly acceleration since April when prices spiked 1.7 percent. The year-on-year rate was especially strong with a gain of 12.8 percent which was 5 tenths higher than July.

WEDNESDAY

The Consumer Price Index (CPI) increased by just 0.2% in September while the core rate was relatively unchanged. The core CPI, which excludes food and energy, held steady at 0.1 percent and came in below the forecasted 0.2 percent. Outside of the core components, energy and gasoline prices each spiked 0.8 percent following declines of 0.3 and 0.1 percent respectively in August. The year-on-year overall CPI inflation number decelerated to 1.2 percent from 1.5 percent in August.

THURSDAY

Initial Jobless claims declined by 10,000 last week to 340,000 as reported by the Labor Department on Thursday. Despite the decline the number is still 30,000 above the trend from one month ago. Continuing claims were up 31,000 to 2.881 but the four week average has been steadily declining and was down 10,000 to 2.879 the week of October 19th. The unemployment rate for uninsured workers held steady at 2.2 percent.

FRIDAY

The momentum in the manufacturing sector continued through October as indicated by a reading of 56.4 on Institute of Supply Management's (ISM) Manufacturing Index. This was well above the consensus estimate of 55 and followed September's strong number of 56.2. New orders led all categories at 60.6 and have eclipsed the important 60 threshold for the past three months. This also resulted in strength in new export orders, indicating a pickup in foreign demand.

TIDBITS

According to the Pew Research Center in Washington, approximately 10,000 Americans will turn 65 each day for the next 16 years. This could be cause for concern given that on average a person's income peaks a age 55. As a result, aging baby boomers could be a drag on economic growth in the years to come.

QUOTE OF THE WEEK

If one does not know to which port one is sailing, no wind is favorable.
- Lucius Annaeus Seneca

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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