

The Market Week in Review

For Week Ending October 26, 2013

THE MARKETS

Stocks started the week mixed as investors were reluctant to take any positions ahead of the September jobs report. The tepid jobs report on Tuesday actually boosted stocks because it gave further evidence that the Federal Reserve will hold off on tapering its bond purchasing until next year. The markets reversed mid-week following weakness in the global equity markets. Nonetheless all 3 major averages were able to post their third straight week of solid gains, primarily due to several better than expected earnings reports and positive economic data from China, which resulted in all.

The dollar continued its decline this week and finished at its lowest level against the euro in nearly two years. Oil prices also fell after government data showed a spike in the U.S. supply. Gold prices advanced for the second straight week finishing up 0.4 percent to slightly above \$1,350 an ounce.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	15,399.65	15,570.28	170.63	1.11%	18.82%
Nasdaq	3,914.28	3,943.36	29.08	0.74%	30.60%
S&P 500	1,744.50	1,759.77	15.27	0.88%	23.39%
Russell 2000	1,114.77	1,118.34	3.57	0.32%	31.67%

DAILY DEVELOPMENTS

MONDAY

Sales of existing homes fell 1.9 percent in September following no change in August. The National Association of Realtors said that despite prices rising at their slowest pace in nearly five months, monthly sales have been held back by higher mortgage rates and an ongoing shortage in supply. The year over year numbers, however, remained quite strong, with sales up 10.7 percent and the median price up 11.7 percent.

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TUESDAY

According to the Labor Department, the U.S. added just 148,000 jobs in September, compared to a gain of 193,000 in August. Expectations were for an 180,000 increase. The unemployment rate dropped just 0.1 percent to 7.2% as the number of people actively seeking employment declined.

Construction spending advanced 0.6 percent in August, which was above the expected 0.4 percent increase. The gain was led by private residential outlays which jumped 1.2 percent. Construction may be gaining some momentum as shown by August's year over year gain of 7.1 percent compared to July's 6.2 percent.

WEDNESDAY

Both imports and export prices rose during the month of September. Import prices matched their gain from the month prior at 0.2 percent and were led by a 0.8 percent boost in petroleum prices following a 1.9 percent jump the month prior. Export prices rebounded from August's drop of 0.5 percent by increasing 0.3 percent. The gain was led by both agricultural and non-agricultural exports.

THURSDAY

Weekly new filings for unemployment benefits decreased by 12,000 last week but remain inflated at a seasonally adjusted 350,000, according to the Labor Department. The four week average was at 348,250, which is 40,000 higher than the mid-September number. The report remains distorted due to the lingering impact of the computer issues in California that caused an understatement in claims combined with the recent government shutdown.

FRIDAY

Consumer sentiment dropped to 73.2 in October down from the mid-month reading of 75.2, which marked its lowest level since December of last year. The decline was led by the expectations component which fell from 63.9 to 62.5 and the consumer's assessment of the current conditions which fell from 92.8 to 89.9. Inflation expectations also fell to 3.0 percent from September's final reading of 3.3 percent on lower gas prices.

The Commerce Department reported Friday that durable goods orders spiked 3.7 percent in September. However, the gain was primarily due to a 12.3 percent gain in the transportation component, which is notoriously volatile. Excluding transportation durable goods orders were slightly negative.

TIDBITS

The affordability of home ownership fell to a five year low in September as a result of home prices increasing more than 12 percent over the past year and 30-year mortgage rates jumping a full percentage point since spring.

QUOTE OF THE WEEK

When an investor focuses on short-term investments, he or she is observing the variability of the portfolio, not the returns - in short, being fooled by randomness.
- Nassim Nicholas Taleb

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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