

The Market Week in Review

For Week Ending October 5, 2013

THE MARKETS

The dark cloud hanging over the markets this week was the first government shutdown in seventeen years that took effect on Monday evening, which resulted in stocks starting the week down sharply. To the surprise of many investors, stock prices rallied Tuesday as better than expected manufacturing data outweighed concerns about the shutdown, at least temporarily. As the week progressed, concerns grew that a deadlocked Congress might fail to raise the debt ceiling before the debt limit is reached on October 17th (or thereabouts). That would pose a much more dire threat to the U.S. and global economies, particularly if the Treasury does not make payments on its debt obligations. By week's end the major indexes were mixed, with the Dow Jones Industrial Average ending considerably lower, while the S&P 500 was essentially flat and the Nasdaq registered modest gains.

The dollar ended the week lower against the euro and yen. Gold prices also fell, ending the week 2% lower than where it started.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	15,258.24	15,072.58	-185.66	-1.22%	15.02%
Nasdaq	3,781.59	3,807.75	26.16	0.69%	26.10%
S&P 500	1,691.75	1,690.50	-1.25	-0.07%	18.53%
Russell 2000	1,074.19	1,078.25	4.06	0.38%	26.95%

DAILY DEVELOPMENTS

MONDAY

Most Asian-Pacific markets fell Monday after a modest gain in China's factory output raised doubts about its economic recovery. Japan's Nikkei 225 dropped 2.1%. China's Shanghai Composite rose 0.6%. Australia's S&P/ASX 200 gave up 1.7%. South Korea's Kospi fell 0.7%. India's Sensex was down 2%.

Contact Us

- Our Website:
www.estatecounselors.com
- Our E-mail:
firm@estatecounselors.com
- Our Phone Number:
(262) 238-6996
- Our Address:
414 N. Main Street
Thiensville, WI 53092

TUESDAY

The ISM manufacturing report carried added importance this week because of the government shutdown, and fortunately the report showed acceleration in manufacturing activity in September. The composite index increased from 55.7 in August to 56.2 and was led by growth in production and employment. Production growth rose 0.2 to 62.6 and has exceeded the critical threshold of 60 for the past three months, while employment accelerated 2.1 points to 55.4 for the strongest monthly gain since June of last year.

WEDNESDAY

The national employment report released on Wednesday by ADP Payroll Services showed that private payroll jobs increased by 166,000 in September, which was well below the forecasted rise of 180,000. In addition, August's number was revised downward to 159,000 versus the initial reading of 176,000. The consensus estimate for non-farm payroll growth is 184,000 for September, but this was prior to the government shutdown and non-farm payroll that includes government workers.

THURSDAY

Despite the government shutdown, the Department of Labor reported Thursday that initial jobless claims were largely unchanged last week, rising by just 1,000 to 308,000. This is below the consensus estimate of 319,000. On a more positive note, the four week average declined for the fifth straight week to a new low during the economic recovery of 305,000. Continuing claims also trended lower.

FRIDAY

The release of the monthly government jobs reports was delayed this week due to the government shutdown. Expectations were for 180,000 jobs to be added in September versus 169,000 in August.

TIDBITS

Since November 20, 1981 the U.S. has experienced 11 government shutdowns. Surprisingly, these shutdowns have had little short-term impact on the stock market. In fact, according to Bank of America/Merrill Lynch, one month after the beginning of the shutdown stocks have only been negative three times and the average gain has been 2.5 percent.

QUOTE OF THE WEEK

I have wondered at times what the Ten Commandments would have looked like if Moses had run them through the U.S. Congress.
- Ronald Reagan

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

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