ESTATE COUNSELORS, LLC

ASSET MANAGEMENT

The Market Week in Review

For Week Ending September 28, 2013

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THE MARKETS

Stocks started the week lower amid ongoing worries over the debt ceiling and budget battles in Washington. Also weighing on stocks was the Fed's decision last week to leave its bond purchasing program intact, which was a signal that there is still concern over the strength of the U.S. economy. The market finally broke a five day losing streak on Thursday after a batch of better than expected economic reports showed some strength in housing and labor markets. However as of the closing bell on Friday only the Nasdaq managed to eke out a small gain as concerns over a possible government shutdown continued.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	15,451.09	15,258.24	-192.85	-1.25%	16.44%
Nasdaq	3,774.73	3,781.59	6.86	0.18%	25.24%
S&P 500	1,709.91	1,691.75	-18.16	-1.06%	18.62%
Russell 2000	1,072.83	1,074.19	1.36	0.13%	26.47%

DAILY DEVELOPMENTS

MONDAY

Manufacturing slowed in September according to the PMI flash index reading of 52.8. The mid month reading dropped from Augusts' end of month reading of 53.1 and the mid-August reading of 53.9. The decline was driven by a decline in new orders which fell to 52.7 from 55.7. Strength was shown in factory output which is up nearly 3 points to 55.3, its best monthly gain since March.

TUESDAY

The S&P/Case-Shiller 20-city index of home prices lost some momentum in July. The index gained 0.6 percent in July following gains of 0.9 percent in the prior two months and gains of 1.7 and 1.9 percent the two months before that. Rising mortgage rates were cited as one of the primary reasons for the pullback. However, home prices were up 12.4 percent on a year-over-year basis, which marks the strongest yearly gain since February of 2006.

WEDNESDAY

Durable goods orders bounced back from July's sharp decline of 8.1 percent by edging higher by 0.1 percent in August. The incremental gain was above expectations of a 0.5 percent decline. By major components, transportation showed the most strength with a 0.7 percent gain following a plunge of 21.9 percent the month prior. The rebound in transportation was mainly due to a jump in motor vehicles of 2.4 percent. Declines were seen in primary metals, computers and electronics, and electrical equipment.

Softer prices boosted new home sales by 7.9 percent in August to an annual rate of 421,000 according to data released by the Commerce Department on Wednesday. An influx of new homes on the market caused the median home price to dip 0.7 percent to $254,000, but the year-over-year rate remained positive at 0.6 percent. The strongest sales growth was shown in the Midwest and South followed by the Northeast, while sales in the West fell sharply.

THURSDAY

The Labor Department reported Thursday that jobless claims are stabilizing and layoffs have declined significantly. Initial claims fell 5,000 last week to a lower than expected total of 305,000. The four week average was down 7,000 to 308,000, which marks a new low during the economic recovery. Continuing claims are also trending lower, with the four week average falling 42,000 to 2.843 million.

The government left its estimate for economic growth in the second quarter unchanged at an annualized rate of 2.5 percent, the Commerce Department said on Thursday. The headline GDP inflation price index was revised down to an annualized rate of 0.6 percent versus the initial estimate of 0.8 percent. Overall the revisions were minor and confirmed the modest growth for the second quarter.

FRIDAY

The consumer sector showed strength in August with gains in personal income and consumer spending of 0.4 and 0.3 percent respectively. The gain in personal income was led by a 0.4 percent rise in wages and salaries, while the increase in spending was mainly due to a 0.5 percent jump in durable goods. The year-over-year headline inflation number remained soft at 1.2 percent, well below the Fed's goal of 2.0 percent.

Consumer sentiment fell below 80 for the first time in four months to end September with a reading of 77.5. The reading was below the expectations of 78.0 but above the mid-month preliminary reading of 76.8. One positive from the report was the expectations component, which was up from the mid-month reading of 67.2 to 67.8. This suggests that consumers were not overly concerned about the pending fiscal stalemate in Washington.

TIDBITS

A recent report based on data from the Census Bureau showed that the average American household is earning less than four years ago when the "Great Recession" ended. After adjusting for inflation, the median household income has fallen 4.4 percent.

QUOTE OF THE WEEK

The stock market is the story of cycles and of the human behavior that is responsible for overreactions in both directions.
– Seth Klarman

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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