

The Market Week in Review

For Week Ending January 11, 2014

THE MARKETS

This week marked the first full week of trading for 2014. The major indexes finished the week mixed, as the economic news released during the week failed to provide investors with a clear indication of the direction in which the U.S. economy is heading. This week also marked the start of the issuance of fourth quarter earnings reports as Alcoa announced its earnings declined by more than many who follow that particular stock were expecting.

The U.S. dollar rebounded from its two week slide to advance slightly when measured against an index of other currencies. Gold rose 1.5 percent on Friday, resulting in its third consecutive weekly gain. The price of crude oil declined by 1.3%, its second consecutive weekly drop.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,469.99	16,437.05	-32.94	-0.20%	-0.84%
Nasdaq	4,131.91	4,174.66	42.75	1.03%	-0.05%
S&P 500	1,831.37	1,842.37	11.00	0.60%	-0.32%
Russell 2000	1,156.09	1,164.53	8.44	0.73%	0.08%

DAILY DEVELOPMENTS

MONDAY

Factory orders were up a very strong 1.8 percent in November according to the Institute of Supply Management's monthly report. In addition there was a 4 tenths upward revision to October's original number, to minus 0.5 percent, while September orders were unchanged at a very strong plus 1.8 percent. Excluding transportation, orders rose 0.6 percent in November vs. an upward revised 0.1 percent gain in October. Shipments were also very strong in November, rising by 1.0 percent following incremental 0.1 percent gains in the two prior months.

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

At the same time, ISM's non-manufactured services index fell 9 tenths to 53.0 in November. New orders fell to 49.4 from 56.4 in November. This is the first sub-50 reading for new orders since July 2009.

TUESDAY

The International Trade Report issued on Tuesday by the U.S. Commerce Department showed exports rose and imports fell in November. The combined result was to sharply reduce the U.S. Trade Deficit to \$34.3 billion. By comparison the Econoday consensus forecast of surveyed economists called for a \$39.9 billion trade deficit. The November number amounts to the smallest trade deficit since October 2009. Exports rose 0.9 percent led by industrial supplies, commercial aircraft and capital goods excluding autos. Imports fell 1.4 percent with the highest contraction in industrial supplies (including crude oil), foods and beverages, and consumer goods.

WEDNESDAY

The Minutes from the December 17th-18th Federal Open Market Committee revealed that there was plenty of debate between Committee members as to whether or not the Federal Reserve should start tapering its' quantitative easing program. Some Committee members who agreed with the Fed's decision to start tapering its bond buying in January argued for a larger reduction in asset purchases. Other participants did not want any reduction because the employment rate is still elevated and inflation is running below the Fed's target rate of 2.5 percent. The Committee ultimately voted to slowly begin tapering its bond buying this month, believing that the benefits resulting from continued asset purchases are waning and a further delay in the reduction of purchases would add to the risk of loss to the Fed's balance sheet in the future.

THURSDAY

Jobless claims fell by 15,000 last week to 330,000 which was 1,000 below the preannouncement consensus estimate. However, the estimate for the prior week was increased by 6,000 to 345,000. The four week average is now down to 349,000, but that is still 20,000 higher than the month-ago comparison. Continuing claims, which lag by 1 week, were also higher; up 50,000 to 2.865 million for the week of December 28th. It is important to keep in mind that jobless claims are hard to read at this time of year because of the shortened holiday work weeks and the effects of seasonal adjustments.

FRIDAY

The Labor Department said Friday that the unemployment rate fell from 7 percent in November to 6.7 percent, its lowest level since October 2008. But the drop occurred mostly because so many Americans have stopped looking for jobs. The number of newly hired people was just 74,000, which represents an increase in the past three years. Economists were expecting to hear that employers added 196,000 jobs last month. The work force participation rate declined to just 62.8% for the first time since 1977.

TIDBITS

The total value of China's international trade in physical goods exceeded \$4 trillion in 2013, resulting in China's surpassing the U.S. to become world's biggest trader of physical goods. China's exports expanded 7.9% to \$2.21 trillion in 2013, and imports rose 7.3% to \$1.95 trillion.

QUOTE OF THE WEEK

Investing should be more like watching paint dry or watching grass grow. If you want excitement, take \$800 and go to Las Vegas.
- Paul Samuelson

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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