ESTATE COUNSELORS, LLC

ASSET MANAGEMENT

The Market Week in Review

For Week Ending January 18, 2014

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THE MARKETS

The bright spot for equities this week occurred on Wednesday when the S&P 500 closed at an all time high. However, it was unable to maintain its gains and ended closing the week slightly lower.

The U.S. dollar had an excellent week, winning against currencies across the board, while the Canadian dollar reached a new four year low against the greenback and the Aussie fell to a new 3 year low.

The rising dollar was not enough to stop gold from posting gains for the fourth consecutive week - its longest since September 2012 - finishing the week at $1,251.11 an ounce. The price of U.S. crude oil rose 41 cents to settle at $94.37 a barrel, its first weekly gain in three weeks.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,437.05	16,458.56	21.51	0.13%	-0.71%
Nasdaq	4,174.66	4,197.58	22.92	0.55%	0.50%
S&P 500	1,842.37	1,838.70	-3.67	-0.20%	-0.52%
Russell 2000	1,164.53	1,168.43	3.90	0.33%	0.41%

DAILY DEVELOPMENTS

MONDAY

The U.S. government ran a $53.2 billion surplus (I repeat *surplus*) in December, 2013. Moreover, for the first three months of the federal government's fiscal year (which began on October 1st) the deficit is down nearly 41 percent as compared to the same time period last year. Receipts, boosted by a stronger economy and higher tax rates, are up by 8 percent on a year-on-year basis so far this fiscal year. Meanwhile, expenditures were down 7.8 percent, due in large part to big declines for net interest paid and defense spending. Rising tax revenues and government spending constraints are expected to trim this year's annual deficit to around $600 billion. That would represent an $80 billion decline from last year's deficit of $680 billion, which was the smallest deficit since President Obama took office.

TUESDAY

The latest retail sales report was released on Tuesday by the Commerce Department. It indicates that the consumer sector is still doing okay, contrary to the impression given by the December employment report. Overall retail sales in December rose 0.2 percent, following a gain of 0.4 percent the month before. Strength was seen in health and personal care, clothing, non-store retailers, and food and beverage services. Economists had forecast sales to fall 0.1%.

WEDNESDAY

The Labor Department reported on Wednesday that its seasonally adjusted producer price index rose 0.4% in December, which is the biggest rise since June. By comparison the index declined by 0.1 % in November. Wholesale prices were up only 1.2 percent for all of 2013. Food prices dropped 0.6 percent during the month as a result of lower meat and vegetables prices. However, energy prices jumped 1.6 percent, with the price of gasoline increasing by 2.2 percent.

THURSDAY

First time jobless claims in the U.S. fell last week to their lowest level in five weeks, the Labor Department said. New claims decreased 2,000 from the previous week to a seasonally adjusted 326,000. The four week rolling average was 335,000.

FRIDAY

Housing starts suffered a sharp setback in December, totaling just 999,000 - a hefty 9.8% slide from November. Starts were virtually flat last month vs. the year earlier level, posting an increase of just 1.6%, which is the slowest pace in more than two years. Newly issued building permits are also expanding at the slowest rate in several years. The question is whether the housing sector's recovery has come to a grinding halt or can continue growing at a modest if unimpressive level. A clue should arrive next Thursday (January 23rd), with the release of the next update on existing home sales.

A decline in Thomson Reuters/University of Michigan's consumer sentiment survey could be an indication that the housing market may be heading in the wrong direction. The preliminary reading on its overall index on consumer sentiment slipped to 80.4 early this month from 82.5 in December.

Much better news came in the form of the Federal Reserve's report on the U.S. manufacturing sector. It indicated that U.S. industrial output rose at a 6.8 percent clip in the fourth quarter of 2013, which is the largest quarterly increase since the second quarter of 2010. Manufacturing output rose a stronger-than-expected 0.4 percent rate in December after an exceptional 1.0 percent increase the prior month. Overall production at the nation's factories, mines and utilities was up 0.3 percent last month, which was consistent with preannouncement expectations.

TIDBITS

As noted in this week's article, a December 2012 survey of 11 stock market strategists for Wall Street's largest firms noted that on average these highly paid market prognosticators predicted that the stock market would rise 8.2 percent from its close of 1,426. In reality the S&P finished 2013 at 1,848 percent, for an increase of 29.6 percent. Including dividends the Index's total return was 32.4 percent.

QUOTE OF THE WEEK

"We are still seeing very subdued inflation pressures. The type of economic growth we see in 2014 is likely to lead to a slow normalization in consumer prices, not a fast one."
- Laura Rosner, an economist at BNP Paribas in New York

I 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 me at awillms@estatecounselors.com. If you would like to discuss how current market conditions could impact your investments, please feel free to call me at the number listed below.

Best regards,

Andy

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