ESTATE COUNSELORS, LLC

ASSET MANAGEMENT

The Market Week in Review

For Week Ending March 22, 2014

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THE MARKETS

Stocks closed the week higher after optimism about the situation in Ukraine put investors in a positive frame of mind. The Federal Reserve's decision to continue tapering their bond buying program sent a signal that the economy is continuing to gain strength, although sentiment about when interest rates will rise remains mixed. Still, sellers of bonds were more prevalent than buyers, which sent the yield on the 10 year U.S. Treasury Note higher to end the week at 2.75%. The S&P 500 and the NASDAQ are again showing gains for the year, but the Dow still remains in the red.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,065.67	16,302.77	237.10	1.48%	-1.65%
Nasdaq	4,245.40	4,276.79	31.39	0.74%	2.40%
S&P 500	1,841.13	1,866.52	25.39	1.38%	0.98%
Russell 2000	1,181.41	1,193.73	12.32	1.04%	2.59%

DAILY DEVELOPMENTS

MONDAY

The Federal Reserve announced Monday that U.S. industrial production increased by 0.6 percent in February and is 2.8 percent above its level of a year earlier. Manufacturing output rose 0.8 percent which is the largest gain since last August and nearly reversed its decline of 0.9 percent in January. The capacity utilization rate for total industry increased in February to 78.8 percent, 1.3 percentage points below its long-run (1972–2013) average.

TUESDAY

The Consumer Price Index increased 0.1 percent in February, the U.S. Bureau of Labor Statistics reported on Tuesday. A 0.4 percent increase in the food index accounted for more than half of the increase. The index for all items aside from food and energy also rose 0.1 percent in February with increases being registered in the cost of housing, medical care, airline fares, personal care, recreation, and new vehicles. However, the energy index declined, with a decrease in the gasoline index offsetting rises in the fuel oil and natural gas indexes.

The pace of new home construction declined 0.2% in February to a seasonally adjusted annual rate of 907,000. That's the third straight monthly decline in housing starts in a row. Meanwhile permits issued for new construction reached just over 1 million, a 7.7% increase from January and the highest level since October. The gain was attributable entirely to multifamily housing, as permits for single family houses fell for the third month in a row, this time by 1.8%.

WEDNESDAY

The Federal Reserve Open Market Committee announced a third $10 billion reduction to its bond buying program on Wednesday, reducing its monthly bond purchases to $55 billion. The Fed will cut monthly mortgage bond purchases to $25 billion from $30 billion. Treasury purchases will drop to $30 billion a month from $35 billion. Looking ahead the Committee reaffirmed its commitment to low interest rates by removing references to a 6.5% unemployment threshold, as expected.

THURSDAY

Initial jobless claims increased by 5,000 claims (1.6%) to 320,000 for the week ending March 15th, according to a Labor Department report released today. The small increase follows a 2.8% decrease the previous week, but surpassed analysts' expectations which had been for claims to push back up to 325,000.

Data released by the National Association of Realtors Sales on Thursday revealed that sales of existing homes contracted fell by 0.4 percent in February, following a sharp 5.1 percent reduction in January. Year-on-year, existing home sales are down 7.1 percent which is the steepest decline in nearly 3 years. The supply of homes for sale at the current sales rate rose to 5.2 months from 4.9 months. High prices continue to be a major factor holding back sales. The median price rose 0.6 percent to $189,000 with the year-on-year increase at 9.1 percent.

FRIDAY

The Federal Reserve's most recent annual stress test indicated that 29 out of 30 U.S. banks met their stress test capital requirements and should therefore be strong enough to withstand a severe shock to the U.S. economy. Only Zions Bancorporation failed to pass the annual test. The results showed continued improvement in large U.S. based banks' financial positions since the 2008 crisis, and could cause the Fed to approve plans by some of the banks to increase dividends or buy their own stock.

TIDBITS

Gold, the yellow precious metal that in 2013 saw its worst price decline since 1984, has outperformed stocks, bonds, emerging markets and the U.S. dollar this year. While savers in the Eastern World have been buying the metal at relatively subdued prices, speculative buying of Westerners due to the crisis in Ukraine has lifted the price even higher, now up over 11% in 2014.

QUOTE OF THE WEEK

"The highest use of capital is not to make more money, but to make money do more for the betterment of life."
- Henry Ford

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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