

The Market Week in Review

For Week Ending March 29, 2014

THE MARKETS

Stocks recorded solid gains last week, wiping out much of last week's declines as investors responded favorably to positive economic data released during the week and concerns regarding the situation in Ukraine lessened. The NASDAQ was hindered by the biotech sector which had an off week and which makes up a sizable component of that index. Federal Reserve Chairwoman Janet Yellen announced that the Fed would continue to taper its bond purchases as expected, but investors were caught off guard by her suggestion that interest rate increases could begin in "around six months" once the Central Bank closes the books on its quantitative easing program.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,302.77	16,323.06	20.29	0.12%	-1.53%
Nasdaq	4,276.79	4,155.76	-121.03	-2.83%	-0.50%
S&P 500	1,866.52	1,857.62	-8.90	-0.48%	0.50%
Russell 2000	1,193.73	1,151.81	-41.92	-3.51%	-1.02%

This week's article reviews a recent survey of economists by the National Association of Business Economists. The survey results indicate that the participants feel rising interest rates are the most serious threat to the recovery of the U.S. economy. Better than 25% of respondents saw rising interest rates as the biggest potential obstacle to rapid growth, while a third expect the Federal Reserve to boost its short-term interest-rate target this year.

DAILY DEVELOPMENTS

MONDAY

U.S. manufacturing activity slowed in March after nearing a four year high last month, according to a report released Monday by financial data firm Markit. Its "flash" or preliminary U.S. Manufacturing Purchasing Managers Index slipped to 55.5 from 57.1 in February. While March's rate of growth and pace of hiring slowed from February's very strong rate, it was still comfortably ahead of January's rate of 53.7. Readings above 50 indicate expansion.

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TUESDAY

The Conference Board Consumer Confidence Index rose to 82.3, up from 78.3 in February. That is the highest reading since January 2008 and the first time the index has surpassed 82 since last June. Economists had been expecting a much smaller increase after a drop last month. Some economists have suggested that the improving weather in much of the country contributed to the boost.

Sales of newly built homes in the U.S. decreased 3.3% last month to an annualized rate of 440,000, the smallest total in five months, according to data released Wednesday by the Commerce Department. The total new homes on the market increased slightly in the month to 189,000, boosting supply to 5.2 months at February sales levels.

Separately, the Standard & Poor's/Case-Shiller price index for sales of existing homes in 20 major cities rose 8% in January. However sales grew at just 13.2% during the 12 months through the end of January, which is the smallest rate of growth since August of last year.

WEDNESDAY

The Commerce Department said on Wednesday that durable goods orders rose 2.2 percent in February, ending two consecutive months of declines. The sharp increase comes on the heels of a 1% decline in January. In addition, overall shipments increased 0.9 percent. The news was not all positive however, as non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending plans, unexpectedly fell 1.3 percent in February after rising by a revised 0.8 percent the prior month.

THURSDAY

The number of people filing for unemployment benefits for the week ending on March 22nd declined by 10,000 to 311,000. That is the lowest number of new filers since last November. The less volatile and closely watched four week moving average, which is usually a better indicator of the trend, also fell 10,000, to 317,750. About 3.3 million people received benefits in the week ending March 8th, which is the most current data available and about 43,000 fewer than the previous week.

The nation's gross domestic product grew at a 2.6% annual rate in the fourth quarter, according to updated data released by the Commerce Department on Thursday. The most recent estimate surpassed its previous estimate of 2.4% growth, but came in short of economists' estimate of 2.7% growth. While the final estimate came in short of the 3rd quarter's 4.1% growth rate, final sales of domestic product, which excludes additions to inventories, accelerated to 2.7% from 2.5% in the third quarter.

FRIDAY

Personal income and spending both rose 0.3% in February, matching the consensus forecast of market economists. The savings rate rose to 4.3% from 4.2% in January. The inflation rate, as measured by the price index of core personal consumption expenditures ("PCE") rose 0.1% in February and by 1.1% on an annual basis, which is well below the Federal Reserve's target rate of 2.0%.

TIDBITS

It is estimated that insurance companies paid out a whopping \$45 billion in 2013. This \$45 billion is for both man-made and natural disasters including massive flooding along with harsh winter storms.

QUOTE OF THE WEEK

"The romance of the money game is always tempting us to behave like artists; in fact, we should focus on acting more like engineers."
- James Picerno, author, author, *Dynamic Asset Allocation*

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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