ESTATE COUNSELORS, LLC

ASSET MANAGEMENT

# The Market Week in Review

**For Week Ending May 3, 2014**


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## THE MARKETS

Market participants shifted their focus away from technology stocks this week and honed in on the economic news which was largely positive. The Federal Reserve announced mid week that they will decrease the amount of bonds they purchase on a monthly basis by $10 billion, which is a signal to investors that the economy is continuing to improve. The news was enough to boost the Dow to close at an all-time high on Wednesday before equity markets retreated later in the week. The yield on the 10-year Treasury Note ended the week down at 2.58%, its lowest level since February, as the low participation rate in the labor force and ongoing tensions in Ukraine led investors looking for a safe haven into government bonds.

| Index | Started Week | Ended Week | Change | % Change | YTD % |
|---|---|---|---|---|---|
| DJIA | 16,361.46 | 16,512.89 | 151.43 | 0.93% | -0.38% |
| Nasdaq | 4,075.56 | 4,123.90 | 48.34 | 1.19% | -1.26% |
| S&P 500 | 1,863.40 | 1,881.14 | 17.74 | 0.95% | 1.77% |
| Russell 2000 | 1,123.03 | 1,128.80 | 5.77 | 0.51% | -2.99% |

## DAILY DEVELOPMENTS

*MONDAY*

Some welcome news on the housing market arrived on Monday as the National Association of Realtors pending home sales index rose 3.4% in March, the most since May 2011 and the first gain in nine months. Economists had expected a much smaller increase of just 1%. The sharp increase in pending home sales suggests that the residential real estate market was starting to stabilize entering the spring selling season. However, the index remains 7.4% lower on a year-over-year basis.

*TUESDAY*

The Conference Board said Tuesday that its consumer confidence index for April dropped to 82.3 from a March reading of 83.9. Even though consumers are a bit more downbeat about existing economic conditions, their outlook for future growth held steady. Moreover, consumer sentiment for February and March was at its strongest levels since January 2008, when the Great Recession was just beginning.

*WEDNESDAY*

America's gross domestic product (GDP) grew at a very slow 0.1% annual rate in the January-March quarter, the Commerce Department said Wednesday. That was the weakest pace since the end of 2012 and was down from a 2.6% growth rate in the October-December quarter. The snails' pace can once again be attributed to the harsh winter weather that much of the country had to endure at the beginning of the year. Consumer spending grew at a 3% rate, but most of that increase was attributable to higher utility bills. Consumer spending on goods was flat, while business investment and housing construction both declined.

*THURSDAY*

Consumer spending increased 0.9% in March after rising by 0.5% in February, according to data released by the Commerce Department on Friday. March's gain was the biggest since August 2009. When adjusted for inflation, consumer spending increased 0.7 percent in March as compared to a 0.4% increase in February.

Also on Thursday, the Institute for Supply Management announced that its index of national factory activity rose to 54.9 in April, up from 53.7 in March. A reading above 50 indicates expansion factory production. Manufacturing has increased for three consecutive months. April's increase in manufactured goods resulted from increases in employment, export orders and inventories. New orders, however, were unchanged.

*FRIDAY*

The Labor Department said Friday that the unemployment rate fell to 6.3% from 6.7% in March. That's the lowest it has been since September 2008. Employers added 288,000 jobs in March, and also added more jobs in February and March than previously estimated. The job totals for those two months were revised up by a combined 36,000. The news was not all good however, as the number of Americans in the labor force dropped by 806,000, pushing the labor participation rate down sharply. And despite the fall in joblessness, average hourly earnings remained unchanged.

## TIDBITS

U.S. home ownership rate dropped to a 19 year low in the first quarter of 2014 as more households continued to rent and home sales remained sluggish.

## QUOTE OF THE WEEK

"What's really quite remarkable in the investment world is that people are playing a game which, in some sense, cannot be played. There are so many people out there in the market; the idea that any single individual without extra information or extra market power can beat the market is extraordinarily unlikely. Yet the market is full of people who think they can do it and full of other people who believe them. This is one of the great mysteries of finance: Why do people believe they can do the impossible? And why do other people believe them?"

- Daniel Kahneman, a Nobel Prize winner for his work in the field of behavioral finance

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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