ESTATE COUNSELORS, LLC

ASSET MANAGEMENT

The Market Week in Review

For Week Ending September 20, 2014

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

THE MARKETS

Stocks traded mixed this week amongst the Federal Reserve Open Market Committee's confirmation that its quantitative easing program will end in October and interest rates will remain low for a "considerable time". Large cap stocks demonstrated the most strength with the Dow and S&P up 1.72% and 1.25%, respectively. Both of those indices reached new all-time highs this week. The small cap Russell 2000, conversely, continued its recent downtrend and ended the week off 1.18%. Gold also continued its multi-month selloff, sliding 1.1 percent on the week, in response to the strength of the U.S. dollar. Surprisingly, the 10 Year Treasury Note sold off upon the news that interest rates will remain low causing its yield to spike as high as 2.64 percent before paring back to end the week at 2.59 percent.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	16,987.51	17,279.74	292.23	1.72%	4.24%
Nasdaq	4,567.60	4,579.79	12.19	0.27%	9.65%
S&P 500	1,985.54	2,010.40	24.86	1.25%	8.77%
Russell 2000	1,160.61	1,146.92	-13.69	-1.18%	-1.44%

DAILY DEVELOPMENTS

MONDAY

The Federal Reserve reported Monday that output at factories, mines, and utilities fell 0.1 percent. The decline follows a 0.2% gain in July, which was smaller than previously reported. The output from America's factories fell 0.4% in August, largely because of a 7.6% drop in auto production. The median forecast of economists surveyed by Bloomberg called for a 0.3% gain for the month.

TUESDAY

Producer prices were essentially flat in August, according to data released by the Labor Department on Tuesday. Its producer price index for final demand was unchanged as gasoline and food costs fell. Economists had expected a 0.1 percent increase in August. Producer prices had edged up 0.1 percent in July. Excluding food and energy, PPI rose by 0.1 percent, slowing from a 0.2 percent gain in July. In the 12 months through August, the core PPI for final demand advanced 1.8 percent. It had increased 1.6 percent in July.

WEDNESDAY

The Labor Department said Wednesday its Consumer Price Index declined 0.2 percent last month as a broad decline in energy prices offset increases in food and shelter costs. It was the first drop since April last year and followed a 0.1 percent gain in July. Stripping out food and energy prices, the so called core CPI was unchanged last month for the first time since October 2010.

The Federal Reserve said it would move to end its most recent bond buying campaign on Wednesday. But its Open Market Committee rejected calls for a faster retreat from its long-running stimulus campaign, and instead elected to keep short-term interest rates near zero for a "considerable time". The Fed also lowered its forecast for economic growth in 2015. It now expects the economy to grow from 2.6 to 3 percent next year, compared with June forecasts for growth of 3 to 3.2 percent.

THURSDAY

Statistics released from the Commerce Department on Thursday indicated that new home construction fell 14.4 percent in August, to a 956,000 annualized rate. That's the largest decline since 2013 and follows July's revised 1.12 million units. Work on apartments and condominiums, which tends to be volatile, dropped 31.7 percent after jumping 44.9 percent in July. However, over the past 12 months, multi-housing construction has started on an average of 349,000 multifamily structures, the most since the same period ended July 2006.

FRIDAY

The Conference Board said Friday that its index of leading indicators rose 0.2 percent in August, the seventh straight increase. But that was much slower than the revised 1.1 percent gain in July.

TIDBITS

Most think that investing in a diversified portfolio of index funds rather than individual stocks is a relatively new idea that originated when Vanguard launched its first index fund in 1976. However, in reality the roots of passive investing go back much further than that.

In the 19th Century French PhD student Louis Bachelier came to Paris to study the workings of the financial markets at the Sorbonne. After graduating, Bachelier stayed at the Sorbonne to study for a PhD. His specific focus was how stock prices moved. Detailed study of the data led him to conclude that:

- All the publicly available information is already included in the price of a stock.
- Prices react to new information which is, by nature, random.
- Therefore, price movements are also random (or, as he put it, no more predictable than the steps of a drunkard).

In conclusion, Bachelier said, "the expectation of the speculator is zero".

QUOTE OF THE WEEK

"There are still too many people who want jobs but cannot find them, too many who are working part time but would prefer full-time work, and too many who are not searching for a job but would be if the labor market were stronger."
- Janet L. Yellen, chairwoman of the Federal Reserve.

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

Andrew J. Willms, J.D. LL.M.

Estate Counselors, LLC
414 N. Main Street
Thiensville, WI 53092
Phone (262) 238-6996
Fax (262) 238-6999
www.estatecounselors.com
