

The Market Week in Review

For Week Ending February 28, 2015

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THE MARKETS

Despite a heavy week of economic data releases, equities traded relatively quietly last week. Both the Dow and the S&P briefly hit all time highs mid-week after Fed Chair Janet Yellen's testimony to Senate members indicated that interest rates would stay low for at least the Fed's next two meetings. At the close of trading on Friday, the major indices ended the week virtually unchanged. The month of February, however, was the best month for stocks since October 2011, with the S&P up 5.5 percent. Gold ended the month off by over 5 percent in response to the continuing strength of the dollar, while crude oil prices fell further in response to more evidence of a growing supply glut.

Index	Started Week	Ended Week	Change	% Change	YTD %
DJIA	18,140.44	18,132.70	-7.74	-0.04%	1.74%
Nasdaq	4,955.97	4,963.53	7.56	0.15%	4.80%
S&P 500	2,110.30	2,104.50	-5.80	-0.27%	2.21%
Russell 2000	1,231.79	1,233.37	1.58	0.13%	2.38%

DAILY DEVELOPMENTS

MONDAY

The National Association of Realtors announced on Monday that sales of existing homes declined 4.9 percent in January to an annual rate of 4.82 million units, the lowest level since last April. The decline was attributed to fewer existing homes being offered for sale, which is hurting sales by limiting the selection of houses available to potential buyers and pushing prices higher. The higher prices are making it harder for first time buyers to enter the market, even as interest rates are at or near historic lows.

TUESDAY

Janet Yellen, head of the Federal Reserve, delivered the Fed's semiannual economic report to the Senate banking committee on Tuesday. Ms. Yellen commented that the U.S. job market is still gaining strength and that inflation remains too low for the Fed's liking. As a result, the central bank is not yet ready to raise interest rates from near zero levels. Trading in short term interest rate futures contracts following Ms. Yellen's comments suggested that traders had shifted their expectations of an initial rate hike from September to October, according to data collected and analyzed by CME FedWatch.

WEDNESDAY

The Commerce Department said on Wednesday that single family home sales dipped 0.2 percent to a seasonally adjusted annual rate of 481,000 units. December's sales pace was revised up to 482,000 units, the highest level since June 2008, from 481,000 units. Compared to January of 2014, sales were up 5.3 percent. Tight home inventories and higher prices that have sidelined first time buyers have hampered the housing market's recovery. Federal Reserve Chair Janet Yellen told U.S. lawmakers on Tuesday that housing had not "recovered in the way that I would have anticipated".

In a separate report, the Commerce Department reported that orders for U.S. made durable goods such as airplanes and appliances rose to a seasonally adjusted 2.8% in January, marking the biggest gain in six months. Excluding autos and aircraft, whose bookings can gyrate from month to month, orders minus transportation rose just 0.3%.

Also on Thursday the Labor Department said its Consumer Price Index fell 0.7 percent last month, the largest decline since December 2008, after slipping 0.3 percent in December. It was the third straight month of decline in the index as lower gas prices continue to push the index lower. In fact, lower gas prices has caused the CPI to decline by 0.1 percent from January 2014 to January 2015.

THURSDAY

The Labor Department reported Thursday that new claims for unemployment benefits increased by 31,000 to 313,000 in the week ended February 21st from a revised 282,000 in the prior period. The median forecast of 49 economists surveyed by Bloomberg saw claims rising to 290,000. The four week average of claims, a less volatile measure than the weekly figure, gained to 294,500 from a revised 283,000 the week before. The number of people continuing to receive jobless benefits dropped by 21,000 to 2.401 million in the week ended February 14th.

FRIDAY

The second estimate of the nation's fourth quarter 2014 GDP was revised down to an annualized 2.2 percent from 2.6 percent, although most economists predicted a drop to 2.1 percent. Although the number softened, consumer spending jumped by the highest amount in four years signaling strength in the expansion. Additionally, the weakness was mainly attributed to lower inventories.

Consumer sentiment bounced back sharply in February according to the University of Michigan's monthly survey. The final reading for the month registered 95.4, beating the expected reading of 94.0 and was led by the current conditions component which spiked to 106.9. Compared to the January report, this month's report signals activity from the consumer.

MARKET RISK REPORT

Estate Counselors, LLC monitors a number of forward looking economic indicators in an effort to identify when the risks of a market bubble or adverse economic conditions are increasing. A report summarizing our analysis of these indicators as of the end of February 2015 has been posted to our website.

TIDBITS

The Chinese State Intellectual Property Office received 928,000 patent applications in 2014, the fourth consecutive year that the nation has led the world in the number of applications. The total increased 12.5% compared with 2013.

QUOTE OF THE WEEK

"Nothing is a waste of time if you use the experience wisely."
- Auguste Rodin

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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