



WealthTrust - Arizona

8434 E Shea Blvd
Scottsdale, AZ 85260
480-483-7300

info@wealthtrust-arizona.com
www.wealthtrust-arizona.com



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MARKET WEEK: FEBRUARY 25, 2013

The Markets

Equities spent Friday trying to recover from downdrafts earlier in the week. The Dow industrials managed to squeak back to 14,000, but the other domestic indices reacted more strongly to Fed discussions of how to wind down its bond-buying program. It was the first down week for the S&P 500 so far this year.

Market/Index	2012 Close	Prior Week	As of 2/22	Week Change	YTD Change
DJIA	13104.14	13981.76	14000.57	.13%	6.84%
Nasdaq	3019.51	3192.03	3161.82	-.95%	4.71%
S&P 500	1426.19	1519.79	1515.60	-.28%	6.27%
Russell 2000	849.35	923.15	916.15	-.76%	7.86%
Global Dow	1995.96	2098.72	2086.49	-.58%	4.54%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.78%	2.01%	1.97%	-4 bps	19 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

Stay tuned: The March meeting of the Federal Open Market Committee will focus on when and how to wind down the Fed's purchases of \$85 billion worth of bonds each month. Minutes of the most recent meeting suggested that committee members are divided on how to ease out of quantitative easing without disrupting the economy. Staff

members will report on the potential impact of various options, including varying the size of bond purchases from meeting to meeting and selling existing holdings gradually.

New residential home construction fell 8.5% in January, though housing starts were still 23.6% higher than in January 2012. The Commerce Department also said building permits for single-family homes were up 1.9% for the month, while permits for buildings with 5 or more units were up 1%.

Wholesale prices were up 0.2% in January. The Bureau of Labor Statistics said roughly 75% of the increase could be accounted for by a 0.7% increase in food prices, especially the 39% jump in the cost of vegetables. The January figure put the wholesale inflation rate for the last 12 months at 1.4%. The BLS also said raw materials were up 0.8% for the month. Meanwhile, the BLS said consumer prices were unchanged in January; increases in housing and apparel costs offset a 1.7% drop in energy prices, leaving the annual inflation rate at 1.6%.

The FBI said it is joining a Securities and Exchange Commission investigation of possible insider trading related to Berkshire Hathaway's recently announced intent to buy H.J. Heinz Co. A U.S. court approved continuation of an SEC-requested emergency freeze on assets in a Swiss trading account; the account's unidentified owner allegedly bought a substantial amount of Heinz call options the day before the acquisition plans were announced.

Sales of existing homes were up 0.4% in January, and were more than 9% ahead of last January. The National Association of Realtors® said tight inventory helped drive the median price for home resales up 12.3% from January 2012; the number of homes for sale fell almost 5% during the month and was at its lowest level since April 2005. The NAR said the inventory shortage is beginning to create a seller's market in much of the country.

The European Commission (the eurozone's executive body) forecast a 0.3% contraction in the eurozone during 2013, and only 0.1% growth for the entire European Union. However, the EC forecasts 1.6% EU growth in 2014, with 1.4% growth in the euro area.

Eye on the Week Ahead

A steady stream of economic data will likely be overshadowed by the approach of the sequestered budget cuts. Unless Congress surprises the country with a last-minute plan for avoiding them, the \$85 billion in cuts for 2013 are scheduled to begin taking effect on Friday.

Key dates and data releases: new home sales, home prices (2/26); durable goods orders (2/27); 2nd estimate of Q4 GDP (2/28); personal income/spending, U.S. manufacturing, construction spending (3/1).

Data sources: Includes data provided by Brounes & Associates. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indexes listed are unmanaged and are not available for direct investment.

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Journal, Forbes, New York Times, CNBC, BloombergRadio, and others to share their thoughts on matters that impact our clients.

Given the recent events impacting investors and their financial security, we would welcome the opportunity to provide a second opinion for anyone who would like to have a check-up on their investments, financial plan or estate plan. If you know of anyone who may have a concern with their current advisor or current investment portfolio, we encourage you to share our contact information with those that could benefit from a complimentary review.

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