



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: MAY 6, 2013

The Markets

Records were made to be broken: Despite some volatility, generally positive earnings reports and a better-than-expected employment picture helped equities continue to power upward. The jobs report sent the S&P 500 to a new record close above 1,600 on Friday. The Dow industrials briefly topped 15,000 but couldn't quite hang on to that gain, though it also ended the week at a record level. And for a change, the tech sector helped the Nasdaq take the lead for the week.

Market/Index	2012 Close	Prior Week	As of 5/3	Week Change	YTD Change
DJIA	13104.14	14712.55	14973.96	1.78%	14.27%
Nasdaq	3019.51	3279.26	3378.63	3.03%	11.89%
S&P 500	1426.19	1582.24	1614.42	2.03%	13.20%
Russell 2000	849.35	935.25	954.42	2.05%	12.37%
Global Dow	1995.96	2151.66	2189.49	1.76%	9.70%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.78%	1.70%	1.78%	8 bps	0 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

The unemployment rate continued to inch downward in April. The 165,000 new jobs created during the month cut the unemployment rate to 7.5%--the lowest level since December 2008--and the February and March new jobs figures were revised upward. The loss of 11,000 government jobs partly offset the private sector's 176,000 new jobs, where the

biggest gains were in professional/business services, leisure and hospitality, and education.

Americans' incomes rose in March, but the extra money didn't stay in bank accounts for long. Both personal incomes and consumer spending were up 0.2% for the month, according to the Bureau of Economic Analysis. The rise in spending was the smallest in three months, and higher utility bills caused by unseasonably cold weather were responsible for part of the increase. The savings rate remained at 2.7% of income for a second month.

As expected, the Fed will continue its bond purchases, though it may increase or decrease the amount depending on economic performance. The Fed's statement also blamed current tax and spending policies for restrained economic growth. Meanwhile, as eurozone unemployment hit a record 12.1%, the European Central Bank will attempt to stimulate the contracting economy there by cutting its key interest rate to 0.5%, and ECB President Mario Draghi hinted that it might go still further.

A 0.3% increase in home prices during February helped put prices in 20 cities measured by the S&P/Case-Shiller index 9.3% higher than a year earlier. It was the second straight month of year-over-year increases in all 20 cities.

U.S. manufacturing slowed for the fifth straight month, according to the Institute for Supply Management. The ISM's gauge of manufacturing activity hit 50.7%; though that still indicates growth, slipping below 50% would represent contraction. Meanwhile, the ISM's services index also showed slowing growth as it hit 53.1%.

A 48% drop in the volatile nondefense aircraft sector helped cut new factory orders for manufactured goods by 4% in March, according to the Commerce Department.

The U.S. trade deficit fell by 11% in March, its second major decline in four months. While exports were down, they fell less than imports, especially imports of consumer goods. However, part of the decline in imports may be tied to the Chinese lunar new year holiday and could be temporary.

The Treasury Department said reduced federal spending and higher tax receipts, in part from seasonal income tax filings, will enable it to pay off \$35 billion in bonds this quarter. It's the first such payment on the national debt in six years, and could help delay another battle over the debt ceiling, though the reduction is seen as temporary.

Construction spending fell 1.7% in March, according to the Commerce Department, though it was still almost 5% higher than a year earlier. Private construction was down slightly, by 0.6%, but public construction fell 4.1% during the month.

Eye on the Week Ahead

In a week that's practically bereft of economic data, investors may focus on the few earnings reports that are left, since there will be little else to guide them in trying to assess the chances of equities continuing their spectacular run. The G8 nations are scheduled to meet Friday, and demand at two U.S. Treasury auctions will be watched.

Key dates and data releases: consumer credit use (5/7); 10-year Treasury note auction (5/8); 30-year Treasury bond auction (5/9).

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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