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MARKET WEEK: AUGUST 13, 2012

The Markets

It was the fifth straight positive week for the S&P 500, which hit a level not seen since the beginning of May and managed to remain not far from its year-to-date closing high of 1419. Meanwhile, buyers of U.S. Treasuries backed off a bit, sending yields higher.

Market/Index	2011 Close	Prior Week	As of 8/10	Week Change	YTD Change
DJIA	12217.56	13096.17	13207.95	.85%	8.11%
Nasdaq	2605.15	2967.90	3020.86	1.78%	15.96%
S&P 500	1257.60	1390.99	1405.87	1.07%	11.79%
Russell 2000	740.92	788.48	801.55	1.66%	8.18%
Global Dow	1801.60	1843.53	1880.18	1.99%	4.36%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.89%	1.60%	1.65%	5 bps	-24 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

- Slower Chinese manufacturing growth led to speculation that there might be additional efforts to stimulate the economy there. Though factory production was up 9.2% in July, it was a far cry from the 14% growth seen at the same time last year, and exports were down 11.3% from June. Meanwhile, China's National Bureau of Statistics showed that inflation continued to slow, falling to an annualized 1.9% increase compared to last July's 6.5%.

- The U.S. Department of Agriculture cut its estimate of the nation's corn crop by 17% because of the widespread drought across the country. That would make this fall's harvest the worst in nearly two decades. The lower output is expected to push up the price of corn, which is used not only in many processed foods but also as feed for poultry and livestock, by almost 40% to as much as \$8.90 a bushel.
- Stronger exports of consumer goods, cars and car parts, and industrial supplies and materials helped cut the U.S. trade deficit by almost 11% in June, to its lowest level since December 2010, according to the Bureau of Economic Analysis. The deficit went from \$48 billion to \$42.9 billion and also was down \$7.4 billion from the previous June. Exports were up \$1.7 billion for the month, while imports fell \$3.5 billion.
- The Mortgage Bankers Association said 11.6% of all mortgages in the United States were either in foreclosure or behind by at least one payment in Q2. That's an increase from Q1's 11.3%, but better than the 12.5% of a year earlier. Meanwhile, new foreclosures rose 0.96% from last quarter; in many cases, proceedings had been halted by widespread problems with faulty mortgage processing.
- Business output rose but hours worked by the labor force barely budged during the year's second quarter, according to the Bureau of Labor Statistics. As a result, U.S. labor productivity increased at an annual rate of 1.6%. Output was up 2% while the number of hours worked to produce it increased only 0.4%.
- The U.S. Justice Department said a year-long investigation of Goldman Sachs' dealings in mortgage-backed securities did not produce enough evidence to warrant criminal charges in connection with the 2008 financial crisis.
- Consumer credit was up 5% during the second quarter and up 3% in June alone, according to the Federal Reserve Board. Revolving credit, such as credit cards, fell half a percent during the quarter, while nonrevolving debt, such as student loans, was up 7.8%.

Eye on the Week Ahead

Retail sales and earnings reports from several major retailers highlight this week's economic data, while inflation figures are expected to show little change.

Key dates and data releases: wholesale inflation, retail sales, business inventories (8/14); consumer inflation, industrial production, international capital flows (8/15); housing starts, leading economic indicators, options expiration (8/17).

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

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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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