



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: SEPTEMBER 17, 2012

The Markets

Equities had a second strong week, helped along by a German court and the Federal Reserve. The S&P 500 has now gained more than 4% in the last two weeks, and all four indices are at their year-to-date highs. The renewed enthusiasm for stocks helped send Treasury yields soaring as prices fell.

Market/Index	2011 Close	Prior Week	As of 9/14	Week Change	YTD Change
DJIA	12217.56	13306.64	13593.37	2.15%	11.26%
Nasdaq	2605.15	3136.42	3183.95	1.52%	22.22%
S&P 500	1257.60	1437.92	1465.77	1.94%	16.55%
Russell 2000	740.92	842.27	864.70	2.66%	16.71%
Global Dow	1801.60	1928.18	1988.62	3.13%	10.38%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.89%	1.67%	1.88%	21 bps	-1 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

With 11 of 12 members deciding that the economy needed a third round of economic support, the Federal Open Market Committee launched a new program to buy \$40 billion of agency mortgage-backed bonds each month for an indefinite period. Including continued Operation Twist buying, Fed purchases will total roughly \$85 billion a month. The Fed also

said it now expects to keep interest rates at current low levels until mid-2015 instead of late 2014.

Investors heaved a sigh of relief after Germany's constitutional court refused to halt the country's participation in the European Stability Mechanism. The decision could have blocked implementation of the permanent euro bailout fund. However, the court said it would enforce the €190 billion limit on Germany's contribution to the ESM, and will not allow the ESM to borrow directly from the European Central Bank. It also reserved the right to review any additional measures and all relevant information involved in them.

Both consumer and wholesale prices saw their biggest monthly increases in more than three years, according to the Bureau of Labor Statistics. A 9% increase in gas prices sent the Consumer Price Index up 0.6% in August, while wholesale prices jumped 1.7% because of a 13.6% increase in gas at the wholesale level. Not counting energy and food prices, which can vary greatly from month to month, consumer prices were up 0.1% for the month, putting the annual inflation rate for the last year at 1.7%.

According to the Commerce Department, the U.S. trade deficit increased slightly in July as exports declined more than imports. The \$42 billion gap was up from \$41.9 billion in June.

The median inflation-adjusted household income fell 1.5% in 2011 to \$50,054; according to a Census Bureau report on income, poverty, and health insurance coverage, the second consecutive annual decline left median household income 8.1% lower than in 2007. The report also said that 15% of the U.S. population was living in poverty (up to \$23,021 a year for a family of four), and that one gauge of income inequality increased 1.6% during the year--the first increase since the bureau began tracking the data almost 20 years ago. Meanwhile, both the number (260.2 million) and percentage (84%) of people with health insurance increased from 2010.

Retail sales rose 0.9% in August, according to the Commerce Department, and were 4.7% higher than a year ago. However, manufacturing stats weren't as encouraging; the Federal Reserve's measure of industrial production fell 1.2%, affected in part by Hurricane Isaac, and utilization of the nation's manufacturing capacity was down 1% for the month.

Eye on the Week Ahead

Investors will be watching to see if the excitement over QE3 peaked last week or will lead to continued buying. Data on manufacturing both here and abroad as well as the U.S. housing market will round out the week. Equities also could be affected by quadruple witching options expiration at week's end.

Key dates and data releases: Empire State manufacturing survey (9/17); international capital flows (9/18); housing starts, home resales (9/19); Philadelphia Fed manufacturing survey (9/20); quadruple witching options expiration (9/21).

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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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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