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MARKET WEEK: JANUARY 7, 2013

The Markets

Better late than never: Equities soared as investors wiped their collective brow when lawmakers reached a deal that averted a full-scale immediate plunge off the fiscal cliff. Despite the holiday-shortened week, the S&P gained more than 4% to hit a level not seen since 2007's last trading day, while the Nasdaq and Russell 2000 fared even better. Meanwhile, bond prices took a hit after the Fed suggested it might start easing out of quantitative easing later in the year.

Market/Index	2012 Close	Prior Week	As of 1/4	Week Change	YTD Change
DJIA	13104.14	12938.11	13435.21	3.84%	2.53%
Nasdaq	3019.51	2960.31	3101.66	4.77%	2.72%
S&P 500	1426.19	1402.43	1466.47	4.57%	2.82%
Russell 2000	849.35	832.10	879.15	5.65%	3.51%
Global Dow	1995.96	1984.57	2051.22	3.36%	2.77%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.78%	1.73%	1.93%	20 bps	15 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

In the midnight hour (and beyond): A bargain on the scheduled tax increases and spending cuts scheduled to begin in 2013 was reached just hours into the new year. The American Tax Relief Act of 2012 permanently extends existing tax rates for most Americans but adds a new 39.6% rate for individuals making more than \$400,000 a year (\$450,000 for married couples filing jointly). Existing capital gains rates also were made permanent, except that individuals in the new 39.6% tax bracket will be subject to a maximum 20% capital gains rate. The legislation temporarily postponed implementation of spending cuts, which will doubtless be part of the debate during coming months over increasing the debt ceiling. Additional provisions affecting the alternative minimum tax, estate tax, gift tax, personal/dependency exemptions, and itemized deductions were extended permanently; other provisions were extended temporarily.

The U.S. economy created 155,000 new jobs in December--roughly the same as its average for the last year. That put the unemployment rate at 7.8%, the same as the previous month's rate (after the Bureau of Labor Statistics'

annual adjustment).

U.S. manufacturing bounced back from a November contraction, reaching 50.7% on the Institute for Supply Management's December index (any number above 50 represents growth). Meanwhile, the ISM's gauge of the services sector showed a reading of 56.1%. That represented a substantially faster rate than the 54.7% November reading and was the 36th straight month of growth.

Minutes of the latest Federal Open Market Committee meeting suggested that the Fed's \$85 billion a month worth of bond purchases could end as early as mid-2013, though some members favored continuing purchases through the end of the year.

Eye on the Week Ahead

In a week with minimal economic data, Alcoa's earnings report on Tuesday will mark the unofficial start of the Q4 earnings season. The U.S. Treasury will auction 3-year, 10-year, and 30-year debt, and the Bank of England and the European Central Bank will announce interest rate decisions.

Key dates and data releases: international trade (1/11).

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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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