



Market Week: January 9, 2012

The Markets

So far, so good: The new year got off to a moderately encouraging start, beginning with solid reports on manufacturing and construction and ending with a fourth month of improved employment data. The Nasdaq took the lead; it was the first week since early October in which its gains outpaced those of the other three domestic indices. Not surprisingly, the Global Dow continued to be sluggish.

Market/Index	2011 Close	Prior Week	As of 1/6	Week Change	YTD Change*
DJIA	12217.56	12217.56	12359.92	1.17%	1.17%
Nasdaq	2605.15	2605.15	2674.22	2.65%	2.65%
S&P 500	1257.60	1257.60	1277.81	1.61%	1.61%
Russell 2000	740.92	740.92	749.71	1.19%	1.19%
Global Dow	1801.60	1801.60	1812.76	.62%	.62%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.89%	1.89%	1.92%	3 bps	3 bps

*Equities data reflect price changes, not total return.

Last Week's Headlines

- Unemployment fell in December for the fourth straight month, hitting 8.5%; that's almost a full percentage point from last December's 9.4%. The Bureau of Labor Statistics said employers added 200,000 net new jobs, with the biggest gains occurring in transportation/warehousing, retail, and manufacturing. The measure of unemployment that includes underemployed workers also fell; it's down from 15.6% to 15.2%.
- U.S. manufacturing growth accelerated in December, according to the Institute for Supply Management. The ISM's index hit 53.9%, its highest level since June; it was the 29th straight month of expansion. Meanwhile, the Commerce Department said new durable goods orders also rose by 3.8%. The growth, driven primarily by new orders for aircraft and other transportation equipment, represented the fourth increase in the last five months.
- The Federal Reserve will start spelling out its expectations for the direction of short-term interest rates, including when it might start to raise rates. The forecasts will be made quarterly beginning with the January 25 release of other Fed economic forecasts, which will include projections for the end of this year.
- Expansion in the U.S. services sector picked up at a faster pace in December as the Institute for Supply Management's index rose 0.6% to 52.6%. It was the 26th consecutive month of growth, with 11 of the index's 18 industries reporting improvement.
- The average interest rate on 30-year fixed mortgages fell to 3.91% during the first week of 2012. According to mortgage giant Freddie Mac, that's as low as it's ever been. It also was the fifth straight week of rates under 4%.

Eye on the Week Ahead

Bond auctions are scheduled in Italy and Spain; with Italian 10-year yields over 7%, the results will be watched. Also, Monday's Alcoa



earnings announcement represents the informal kickoff for the fourth-quarter earnings season.

Key dates and data releases: Fed "beige book" report (1/11); weekly new jobless claims, retail sales, business inventories (1/12); international trade, import/export prices, consumer sentiment (1/13).

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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