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MARKET WEEK: OCTOBER 22, 2012

The Markets

Despite a relatively strong start to the week, weak earnings reports took the wind out of the sails of domestic equities. The Dow lost 205 points on Friday--coincidentally, the 25th anniversary of the stock market's single biggest percentage loss ever--while disappointing results from several key tech companies hit the Nasdaq hard.

Market/Index	2011 Close	Prior Week	As of 10/19	Week Change	YTD Change
DJIA	12217.56	13328.85	13343.67	.11%	9.22%
Nasdaq	2605.15	3044.11	3005.62	-1.26%	15.37%
S&P 500	1257.60	1428.59	1433.19	.32%	13.96%
Russell 2000	740.92	823.09	821.00	-.25%	10.81%
Global Dow	1801.60	1918.06	1959.01	2.13%	8.74%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.89%	1.69%	1.79%	10 bps	-10 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

There was good news from the residential construction industry. Housing starts shot up 15% in September; that's the biggest increase since July 2008. The third straight month of increases put housing starts almost 35% ahead of last September. Even better, new single-family starts were up 11% for the month. Building permits, an indicator of future activity, also were strong, according to the Commerce Department; September's 11.6% increase meant that permits were more than 45% higher than a year earlier.

The National Association of Realtors® said home resales fell 1.7% in September. However, the year-over-year picture

is better, with an 11% increase from a year ago.

A 1.1% jump in retail sales in September represented the third straight month of increased sales, according to the Commerce Department. That meant spending was 5.4% higher than the previous September. The largest increases were seen in electronics and appliance stores, which were up 4.5% during the month of the iPhone 5 launch; gas stations and nonstore retailers also saw solid gains.

Gas prices also contributed to a jump in consumer inflation; the Bureau of Labor Statistics said September's 0.6% increase in consumer prices was primarily caused by gas costs that were up 7% for the month. Aside from volatile food and energy costs, prices rose 0.1% for the third straight month. That put the annual inflation rate at 2% over the past year, slightly higher than August's 1.7% annual figure.

Moody's reaffirmed Spain's investment-grade bond rating, though it coupled the Baa3 ranking with a negative outlook. Meanwhile, representatives of European Union countries debated how quickly to set up a common banking supervisor. The new entity's legal framework is scheduled to be drafted by the end of the year, but the supervisory agency would not become functional until later in 2013.

The Philadelphia Fed's manufacturing survey saw a sizeable increase in September; after five months of contraction, the survey rose to 5.7 from -1.9 in August. However, the -6.2 reading on the Fed's Empire State survey--the third consecutive negative figure--was less encouraging. Meanwhile, the Federal Reserve said oil and gas wells that had been sidelined by Hurricane Isaac resumed production, helping send industrial production up 0.4% in September; it's now up 2.8% since last year.

For the seventh quarter in a row, China continued to see slower economic growth. The National Bureau of Statistics said Q3 gross domestic product there fell from 7.6% to 7.4%, its weakest level since early 2009.

The Conference Board's index of leading economic indicators rose 0.6% in September after an August decline of 0.4%.

Eye on the Week Ahead

In light of last week, fresh earnings reports are likely to generate even more interest than usual, while the first estimate of third-quarter economic growth will doubtless fuel more political rhetoric on both sides about the state of the economy. Also, the Federal Open Market Committee will hold its last meeting before the election.

Key dates and data releases: new home sales, FOMC announcement (10/24); durable goods orders (10/25); initial estimate of Q4 gross domestic product (10/26).

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.

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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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