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### MARKET WEEK: NOVEMBER 19, 2012

#### The Markets

Equities around the globe continued to slide, suffering four straight down days as both the United States and Europe grappled with fiscal cliffhangers. Despite some optimism at week's end, the Dow saw its fourth straight negative week. Meanwhile, the Nasdaq and small-cap Russell 2000 entered correction territory with declines of more than 10% since their September highs.

Market/Index	2011 Close	Prior Week	As of 11/16	Week Change	YTD Change
<b>DJIA</b>	12217.56	12815.39	12588.31	-1.77%	3.03%
<b>Nasdaq</b>	2605.15	2904.87	2853.13	-1.78%	9.52%
<b>S&amp;P 500</b>	1257.60	1379.85	1359.88	-1.45%	8.13%
<b>Russell 2000</b>	740.92	795.02	776.28	-2.36%	4.77%
<b>Global Dow</b>	1801.60	1881.43	1848.57	-1.75%	2.61%
<b>Fed. Funds</b>	.25%	.25%	.25%	0 bps	0 bps
<b>10-year Treasuries</b>	1.89%	1.61%	1.58%	-3 bps	-31 bps

Equities data reflect price changes, not total return.

#### Last Week's Headlines

**Double dip:** A second quarter of economic contraction pushed Europe back into recession for the second time in four years. The European Union's official statistics agency said gross domestic product fell 0.1% during Q3 after a 0.2% contraction in the previous quarter. The pace of contraction in Spain and Italy slowed and France's GDP rose for the first time since Q3 2011, while Germany's economic growth was more sluggish than in Q2.

**Greece fire:** In the wake of Greece's narrow approval of new austerity measures, eurozone finance ministers and the International Monetary Fund clashed over whether to give the country a two-year extension (until 2022) to reduce its debt to the level required by its most recent bailout agreement. The extension is estimated to add €32.6 billion to Greece's tab with the IMF, the EU, and the European Central Bank.

**President Obama and congressional leaders** opened discussions on a deal to avert the fiscal cliff. Both sides indicated they might pursue a two-phase approach by adopting small deficit reduction measures before January 1 while trying to develop guidelines for a more comprehensive agreement next year.

The Chinese Communist Party rejected reform-minded candidates to lead its Politburo Standing Committee, considered the country's highest decision-making body, over the next decade in favor of more conservative candidates. Xi Jinping will replace Hu Jintao as party chief and China's de facto leader.

The biggest jump in housing costs since March 2008, along with higher costs for clothing and airfare, helped push up the Consumer Price Index in October, according to the Bureau of Labor Statistics. The 0.1% increase put overall consumer inflation at 2.2% for the last 12 months. Meanwhile, despite a 0.4% increase in foods, lower energy costs helped cut wholesale prices 0.2% for the month, leaving inflation at the wholesale level for the past year at 2.3%.

Despite a 3% increase in October, mortgage foreclosures were 19% lower than the same time last year, according to RealtyTrac.® Also, the Mortgage Bankers Association said the number of households that were behind on their mortgage payments in the third quarter was at its lowest level in almost four years, though the delinquency rate varied dramatically among states.

Outages caused by Hurricane Sandy hurt manufacturing activity measured by the Federal Reserve's Empire State and Philadelphia Fed November indices. The Philly Fed index hit -10.7, while the Empire State measure was at -5.2. Sandy also affected October retail sales, though the Commerce Department said it couldn't quantify how much of the 0.3% decline could be attributed to the storm. Sales were up 3.8% from a year ago.

The Fed is considering using economic indicators, such as a target unemployment or inflation rate, rather than a calendar date to determine when to begin raising interest rates. Minutes of the Federal Open Market Committee's most recent meeting showed that most members also favored extending "Operation Twist" bond purchases past the program's scheduled December expiration date.

British Petroleum will plead guilty to felony charges and pay \$4.5 billion in penalties in connection with the 2010 Deepwater Horizon oil spill as part of an agreement with the U.S. Justice Department. And a House subcommittee investigating MF Global Holdings' bankruptcy said that regulatory agencies had failed to share information that might have helped prevent the eighth largest bankruptcy in U.S. history.

New technologies are expected not only to make the United States a net exporter of natural gas by 2020 but also to transform North America into a net oil exporter by 2035, according to the International Energy Agency. The agency's annual World Energy Outlook also said renewable energy sources could become the second largest global source of power generation by 2015 if development subsidies are continued. Finally, the IEA projects that as global energy demands increase by more than a third by 2035, Iraq would replace Russia as the world's second largest oil exporter and 90% of Middle East oil supplies would go to Asia.

## Eye on the Week Ahead

European finance ministers will meet Tuesday to discuss whether to release €31.5 billion needed to make upcoming payments on Greek debt, and whether to disregard the IMF's concerns about relaxing the bailout agreement's terms. The Thanksgiving holiday could keep trading volumes light.

Key dates and data releases: home resales (11/19); housing starts, meeting of EU finance ministers (11/20); leading economic indicators (11/21).

*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

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