



Market Week: November 28, 2011

The Markets

Once again, European debt woes drove the headlines that drove the markets. The abbreviated trading week gobbled up last week's rally, leaving the Dow back in negative territory for the year, the S&P 500 with its seventh straight day of losses, and the Russell 2000 down almost 13% from its level just a month ago. Despite the euro angst, Treasury yields remained relatively stable, while gold ended the week below \$1,700 an ounce. The euro sank to \$1.32 and is now down almost 11% since its \$1.48 year-to-date high last spring.

Market/Index	2010 Close	Prior Week	As of 11/25	Week Change	YTD Change
DJIA	11577.51	11796.16	11231.78	-4.78%	-2.99%
Nasdaq	2652.87	2572.50	2441.51	-5.09%	-7.97%
S&P 500	1257.64	1215.65	1158.67	-4.69%	-7.87%
Russell 2000	783.65	719.42	666.16	-7.40%	-14.99%
Global Dow	2087.44	1784.40	1688.11	-5.40%	-19.13%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.30%	2.01%	1.97%	-4 bps	-133 bps

Last Week's Headlines

- The congressional supercommittee charged with finding ways to cut the national deficit by \$1.2 trillion admitted it had been unable to do so. As a result, \$1.2 trillion in across-the-board budget cuts, split roughly evenly between defense and other programs, are slated to be implemented in 2013. The dissent among committee members also raised questions about the potential for resolution of other issues, such as payroll tax cuts and unemployment benefits that are scheduled to expire at year's end.
- Auction demand for German bonds fell short of what had been anticipated. As a result, the European Central Bank bought nearly 40% of the offer, raising questions about whether the debt crisis might be starting to affect even the eurozone's strongest nation. Meanwhile, the yield on the Italian 10-year bond rose once again, hitting roughly 7.3%, and yields on the country's short-term debt rose even higher.
- French President Nicolas Sarkozy and German Chancellor Angela Merkel said they will propose revising the European Union treaty to enhance fiscal coordination among countries, and Greece reportedly asked its bondholders to take a bigger reduction in the amount owed. Also, Fitch Ratings warned that France's credit rating could be in jeopardy, while Standard & Poor's cut Belgium's rating to AA.
- U.S. economic growth for the third quarter was a bit slower than earlier thought, but continued to improve from the previous quarter. The Bureau of Economic Analysis's second estimate for Q3 was 2% rather than the earlier estimate of 2.5%, but that was still higher than Q2's 1.3%.
- Lower demand for commercial aircraft helped cut durable goods orders by 0.7% in October, according to the Commerce Department. However, orders for nontransportation-related goods actually rose 0.7%.
- U.S. incomes were up in October, but the Commerce Department said savings rose more than spending. Incomes rose 0.4%, but consumer spending increased only 0.1%, while the savings rate rose to 3.5% of income during the month.



Eye on the Week Ahead

Major bond auctions throughout the week in several eurozone countries, including Italy, Spain, France, and Belgium, will be watched for signs of increasing pressure on yields. Also, eurozone finance ministers will meet Tuesday to discuss the debt situation. Friday's unemployment figure and Black Friday sales reports will highlight domestic economic data.

Key dates and data releases: new home sales (11/28); home prices, consumer confidence (11/29); business productivity/costs, pending home sales (11/30); U.S. manufacturing, construction spending (12/1); unemployment/payrolls (12/2).

Data source: 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. Equities data reflect price change, not total return.

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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