



Market Week: December 12, 2011

The Markets

Domestic equities saw their second straight week of gains. Though it couldn't match the previous week's strong rally, the upswing left the S&P 500 just short of flat for the year, while the Dow extended its year-to-date lead. Meanwhile, the 10-year Treasury yield continued to hover around 2%.

Market/Index	2010 Close	Prior Week	As of 12/9	Week Change	YTD Change
DJIA	11577.51	12019.42	12184.26	1.37%	5.24%
Nasdaq	2652.87	2626.93	2646.85	.76%	-.23%
S&P 500	1257.64	1244.28	1255.19	.88%	-.19%
Russell 2000	783.65	735.02	745.40	1.41%	-4.88%
Global Dow	2087.44	1837.15	1830.78	-.35%	-12.30%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.30%	2.05%	2.07%	2 bps	-123 bps

Last Week's Headlines

- European Union leaders adopted measures intended to impose greater fiscal discipline among members. The new agreement would impose automatic penalties on countries that violate deficit limitations; require members to pass balanced-budget legislation; accelerate into 2012 the creation of a permanent €500 billion European Stability Mechanism to replace the current bailout fund; and contribute €200 billion to the International Monetary Fund. The agreement was adopted in lieu of amending the EU treaty itself, which was vetoed by the United Kingdom.
- Standard and Poor's warned that 15 eurozone countries, including even Germany and France, could soon be in line for a downgrade. The ratings agency followed the announcement of a negative credit watch with similar warnings for the European Financial Stability Fund (the bailout fund supported by six of those countries) and for several of the region's largest banks, which have heavy exposure to sovereign debt.
- European Central Bank President Mario Draghi downplayed the possibility of a more robust bond-buying program by the ECB, which he said would violate the European Union treaty by essentially creating money to finance budget deficits. However, the central bank did lower its benchmark interest rate to 1%, cut bank reserve requirements, and made it easier for banks to borrow from the ECB.
- The U.S. trade deficit shrank 1.6% in October to its lowest level of the year. The Commerce Department said both exports and imports declined, but imports fell more due to lower oil demand.
- The U.S. services sector continued to grow in November, though the pace of growth slowed by 0.9%, according to the Institute for Supply Management.

Eye on the Week Ahead

Investors and ratings agencies will continue to digest the results of Friday's European summit. Also, Tuesday's Fed announcement will be watched for any signs that QE3 might be on the horizon. Domestic data will focus on retail sales, regional manufacturing, and inflation, while the year's final quadruple witching options expiration hits at week's end.



Key dates and data releases: Federal Reserve Open Markets Committee announcement, retail sales, business inventories (12/13); import/export prices (12/14); wholesale inflation, Empire State/Philadelphia Fed manufacturing surveys, international capital flows, industrial production (12/15); consumer inflation, quadruple witching options expiration (12/16).

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. 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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