



WealthTrust - Arizona

8434 E Shea Blvd
Scottsdale, AZ 85260
480-483-7300

info@wealthtrust-arizona.com
www.wealthtrust-arizona.com



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MARKET WEEK: DECEMBER 17, 2012

The Markets

As the lack of progress on fiscal cliff talks left investors wondering whether to batten down the hatches, equity markets continued to produce more vacillation than direction. Even a fresh infusion of quantitative easing from the Fed and decent economic data failed to lift investors' spirits. Of the domestic indices, only the small-cap Russell 2000 ended in positive territory. However, the Global Dow saw its fourth straight week of gains.

Market/Index	2011 Close	Prior Week	As of 12/14	Week Change	YTD Change
DJIA	12217.56	13155.13	13135.01	-.15%	7.51%
Nasdaq	2605.15	2978.04	2971.33	-.23%	14.06%
S&P 500	1257.60	1418.07	1413.58	-.32%	12.40%
Russell 2000	740.92	822.27	823.75	.18%	11.18%
Global Dow	1801.60	1955.63	1973.39	.91%	9.54%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.89%	1.64%	1.72%	8 bps	-17 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

The Fed said it will keep interest rates at current low levels until employment falls below 6.5% as long as projected inflation for the next 1 to 2 years doesn't exceed 2.5%. It's the first time the Fed has announced formal economic targets as guidelines for monetary policy decisions. Unfortunately, the Fed doesn't see unemployment reaching its target until mid-2015, and predicted the jobless rate would remain between 7.4% and 7.7% next year. The Fed also sees economic growth of 2.3% to 3% in 2013, and will continue into next year its monthly purchases of \$85 billion in Treasury bonds and mortgage-backed securities.

A 7.4% drop in gas prices cut consumer inflation by 0.3% in November, according to the Bureau of Labor Statistics. Excluding food and energy, which can be volatile from month to month, prices were up 0.1%. The decline left the annual inflation rate for the last 12 months at 1.8%. Wholesale prices fell even further in November; they were down 0.8% for the month, leaving the Producer Price Index up only 1.5% for the last 12 months.

After spending 0.3% less in October, shoppers hit the cash registers again in November. Retail sales were up 0.3% for the month, and would have been higher if not for the sharp drop in gas prices. The Commerce Department said

annual retail sales were 3.7% ahead of the year before, with nonstore retailers gaining more than 11% from last November.

After losing 0.7% to Hurricane Sandy in October, U.S. industrial production rose 1.1% in November, according to the Federal Reserve Board. The rebound was helped not only by hurricane-related recovery but by a 4.5% increase in auto manufacturing.

HSBC agreed to pay a record \$1.92 billion to end a federal and state investigation into charges that the bank laundered money for drug cartels and terrorist organizations. In return, prosecutors agreed not to pursue criminal charges against the bank.

And we're out: The Treasury Department sold the last remaining shares of stock in American International Group that it acquired as part of the largest single bailout of a financial institution during the 2008 financial crisis. The Treasury said it made \$22.7 billion more than the \$182 billion it took to bail out AIG.

Eye on the Week Ahead

Down to the wire: A data-heavy week may not make much difference to investors keeping an anxious eye on Washington. Anyone not doing last-minute holiday shopping will face the final Q3 GDP figure, housing and consumer spending numbers, and options expiration at week's end. And here's hoping the Mayans were a little overly pessimistic about the world's prospects after this week.

Key dates and data releases: Empire State manufacturing survey, international capital flows (12/17); housing starts (12/19); final estimate Q3 gross domestic product, home resales, Philadelphia Fed manufacturing survey (12/20); personal income/spending, options expiration (12/21).

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 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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