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MARKET WEEK: DECEMBER 31, 2012

The Markets

Ending with a whimper: As the year wound to a close with no grand bargain out of Washington, equities took their own trip over the fiscal cliff last week. The last positive day for the S&P 500 was the Thursday before Christmas, and five straight down days took the Dow back under 13,000, the Nasdaq below 3,000, and the S&P 500 perilously close to 1,400. Though all four domestic indices are in far better shape than they were on last New Year's Eve, they also seem likely to end in negative territory for the quarter, handily outpaced--at least for Q4--by a resurgent Global Dow.

Market/Index	2011 Close	Prior Week	As of 12/28	Week Change	YTD Change
DJIA	12217.56	13190.84	12938.11	-1.92%	5.90%
Nasdaq	2605.15	3021.01	2960.31	-2.01%	13.63%
S&P 500	1257.60	1430.15	1402.43	-1.94%	11.52%
Russell 2000	740.92	847.92	832.10	-1.87%	12.31%
Global Dow	1801.60	1998.76	1984.57	-.71%	10.16%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.89%	1.77%	1.73%	-4 bps	-16 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

With the fiscal cliff dead ahead, last-minute negotiations seemed to produce more questions than answers. The stalemate left the country facing tax increases and spending cuts and wondering what fresh uncertainties the new year might bring.

Orders for new durable goods orders rose 0.7% in November despite a drop in defense-related aircraft orders, according to the Census Bureau. It was the sixth increase in the last seven months, and the best news was a strong jump in new orders by businesses for capital goods, which were up 2.7% for the month.

Home prices measured by the S&P/Case-Shiller 20-city index in October were up an average of 4.3% from a year earlier. Though 12 cities saw price declines from the month before, many of the cities showing the strongest improvement--Las Vegas, Detroit, Phoenix, San Francisco--are the ones that had been hardest hit by the housing collapse. Average home prices represented by the 20-city index are now at roughly the same levels that they were in

the fall of 2003.

Sales of new homes soared 4.4% in November. According to the Commerce Department, that's the highest level since April 2010 and 15.3% higher than a year earlier. The \$299,700 average sales price was up almost 20% from last November.

As it did in 2011, the U.S. Treasury will have to adopt "extraordinary measures" to avoid problems once the country hits the debt ceiling on New Year's Eve. A letter to congressional leaders from Treasury Secretary Timothy Geithner said the accounting measures are expected to extend the deadline for roughly two months.

Eye on the Week Ahead

Friday's monthly unemployment numbers and reports on both the manufacturing and services sectors may paint the last portrait of the pre-cliff economy.

Key dates and data releases: Federal Open Market Committee minutes, U.S. manufacturing, construction spending, auto sales (1/2); unemployment/payrolls, U.S. services sector, factory orders (1/4).

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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