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MARKET WEEK: FEBRUARY 4, 2013

The Markets

A stream of strong earnings reports helped the Dow industrials end their fifth straight week of gains by closing above 14,000 for the first time since 2007. The Nasdaq's best week since the first of the year helped it close the gap with the other domestic indices, while the small-cap Russell 2000 continued to lead the pack.

Market/Index	2012 Close	Prior Week	As of 2/1	Week Change	YTD Change
DJIA	13104.14	13895.98	14009.79	.82%	6.91%
Nasdaq	3019.51	3149.71	3179.10	.93%	5.29%
S&P 500	1426.19	1502.96	1513.17	.68%	6.10%
Russell 2000	849.35	905.24	911.20	.66%	7.28%
Global Dow	1995.96	2115.30	2124.94	.45%	6.46%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.78%	1.98%	2.04%	6 bps	26 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

Hampered in part by fiscal cliff fears and Superstorm Sandy, the U.S. economy slowed substantially in 2012's final quarter. According to the Commerce Department's initial estimate, gross domestic product contracted during the quarter at an annual rate of 0.1%. That's dramatically lower than Q3's 3.1% growth, and is the first quarter of contraction since Q2 2009. A 22% decline in defense spending, lower state/local government spending, and reduced inventories and exports were major contributors to the contraction. The initial GDP estimate is subject to two revisions over the next two months.

Businesses added 157,000 new jobs in January, according to the Bureau of Labor Statistics, and the figures for November and December were revised upward. Unemployment edged upward slightly to 7.9%; it has stayed within one-tenth of a percentage point of that level since last September.

Congress passed legislation that would temporarily suspend the debt ceiling until May without requiring spending cuts. However, lawmakers' paychecks would be withheld if their chamber of Congress doesn't pass a budget resolution by April 15.

Durable goods orders leaped 4.6% in December, in part because orders for transportation equipment, which had declined for two months, soared 11.9%. The Commerce Department said new nondefense orders--an indicator of capital spending by businesses--also were up 3.8%. Durable goods orders have now risen in seven of the last eight months.

U.S. manufacturing saw solid growth in January as the Institute for Supply Management's index rose almost 3 points to 53.1 (any figure over 50 represents expansion). The ISM said that was the index's highest level since April 2012.

Going into the holiday season, home prices in the 20 cities measured by the S&P/Case-Shiller index fell 0.1% during November. They were 5.5% higher than a year earlier, though the average price nationally was still 30% below its 2007 peak.

Personal income jumped 2.6% in December. However, according to the Commerce Department, much of the increase resulted from lump-sum Social Security benefits, the rebound from Superstorm Sandy, and companies accelerating payment of dividends and bonuses because of uncertainty about 2013 tax rates; otherwise, the increase would have been 0.4%. The personal savings rate was also up dramatically, rising from 4.1% of disposable income in November to 6.5% in December; that's the highest savings rate since 2009.

Steady as she goes: The Federal Reserve Open Market Committee reaffirmed its plan to continue its bond purchases and keep interest rates at current levels until unemployment falls to 6.5%.

Eye on the Week Ahead

Data on factory orders will be watched to see if they confirm last week's encouraging manufacturing data. Also, the European Central Bank will meet on interest rates.

Key dates and data releases: factory orders (2/4); U.S. services sector (2/5); labor productivity/costs (2/7); international trade (2/8).

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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