

MARKET WEEK: FEBRUARY 6, 2012

The Markets

Bolstered by a strong rally in the wake of Friday's encouraging employment report, both the Nasdaq and the Dow ended the week above last year's highs, and the Nasdaq actually hit a closing level last seen in December 2000. The S&P 500 and Russell 2000 weren't far from their 2011 highs; the Russell has now risen more than 36% from its most recent low in October 2011.

Market/Index	2011 Close	Prior Week	As of 2/3	Week Change	YTD Change*
DJIA	12217.56	12660.46	12862.23	1.59%	5.28%
Nasdaq	2605.15	2816.55	2905.66	3.16%	11.54%
S&P 500	1257.60	1316.33	1344.90	2.17%	6.94%
Russell 2000	740.92	798.85	831.11	4.04%	12.17%
Global Dow	1801.60	1928.27	1976.98	2.53%	9.73%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.89%	1.93%	1.97%	4 bps	8 bps

*Equities data reflect price changes, not total return.

Last Week's Headlines

- The U.S. economy added 243,000 jobs in December, and according to the Bureau of Labor Statistics, retail jobs for the holidays weren't the major reason. Professional/business services, manufacturing, and leisure/hospitality saw the biggest job growth. The number of unemployed people also fell to a three-year low of 12.8 million. The gains brought the unemployment rate down to 8.3% and represented the fifth consecutive month of lower unemployment.
- The nonpartisan Congressional Budget Office predicted the nation's budget deficit for 2012 will be \$1.1 trillion, down slightly from 2011's \$1.3 trillion. The report said spending cuts and tax increases scheduled for the end of 2012 will increase the deficit by \$3.1 trillion over the next 10 years, but that ending them would increase the deficit by more than \$11 trillion in that time. The CBO also predicted that those tax and spending measures would cut GDP to 1.1% next year, as well as keep the unemployment rate above 8% for the next 2 years and above 7% until 2015.
- Home prices in the 20 cities tracked by the S&P/Case-Shiller index fell 1.3% in November, putting the year-over-year decline at 3.7%. According to the report, home prices have now fallen 32.9% on average since July 2006. The monthly decline was the third consecutive decrease.
- U.S. labor productivity rose 0.7% during Q4 2011; business output was up 3.6% while the number of hours worked rose 2.9%, according to the Bureau of Labor Statistics. Meanwhile, the Commerce Department said factory orders were up 1.1% in December. And the Institute for Supply Management's index of the manufacturing sector rose 1% to 54.1%, with 9 of 18 industries reporting growth, while the ISM's services index was up 0.6% to 52.6%.
- Construction spending rose 1.5% in December, putting it 4.3% above a year earlier, according to the Commerce Department. The bulk of December's growth--2.1%--was in the

- private sector, with nonresidential construction accounting for most of the increase.
- Status update: Facebook, founded in 2004, filed plans to go public later this year.
 - Federal Reserve Chairman Ben Bernanke lectured Congress about the need to address unsustainable deficit levels to prevent the possibility of another financial shock. However, he also said that at the same time, lawmakers need to be careful not to choke off economic recovery, which he said was not incompatible with fiscal responsibility.

Eye on the Week Ahead

As earnings season continues, the elusive Greek debt deal will continue to be a source of speculation. The European Central Bank and Bank of England are expected to keep interest rates stable during a week that's light on economic data.

Key dates and data releases: international trade, consumer sentiment (2/10).

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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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