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MARKET WEEK: MARCH 11, 2013

The Markets

The Dow finally managed to put the last five-and-a-half years behind it on Tuesday when it surpassed its all-time high of October 2007. Once that milestone was reached, the Dow never looked back, setting fresh records every day for the rest of the week. Meanwhile, the broader S&P 500 was only about 14 points from its own previous high. As money poured into equities, demand for Treasuries fell, sending the 10-year yield soaring.

Market/Index	2012 Close	Prior Week	As of 3/8	Week Change	YTD Change
DJIA	13104.14	14089.66	14397.07	2.18%	9.87%
Nasdaq	3019.51	3169.74	3244.37	2.35%	7.45%
S&P 500	1426.19	1518.20	1551.18	2.17%	8.76%
Russell 2000	849.35	914.73	942.50	3.04%	10.97%
Global Dow	1995.96	2080.15	2127.81	2.29%	6.61%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.78%	1.86%	2.06%	20 bps	28 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

The unemployment rate fell to 7.7% from 7.9% in February as the economy added 236,000 new jobs. However, according to the Bureau of Labor Statistics, more than 40% of those without jobs have been unemployed for at least six

months, and counting people who are underemployed or who have at least temporarily stopped looking for work would put the unemployment rate at 14.3%. All job gains were in the private sector; governmental agencies cut 10,000 jobs.

U.S. services companies grew faster in February than they have in a year, according to the Institute for Supply Management's index, which rose to 56% from 55.2% the month before. Coupled with last week's encouraging ISM manufacturing report, the growth helped temper concerns about the potential economic impact of recent increases in the payroll tax and gas prices.

After higher oil exports helped cut the U.S. trade deficit in December to \$38 billion--its lowest point in three years--an increase in oil imports helped pushed the deficit back up again in January to \$44 billion. The Department of Commerce said exports overall were down \$2.2 billion, while imports rose \$4.1 billion.

The Federal Reserve's "beige book" report showed either modest or moderate economic improvement in 10 of the Fed's 12 districts, with Boston and Chicago reporting slow growth. Anecdotal reports indicated that most districts saw improved consumer spending, strong auto sales, modest improvements in manufacturing and labor markets, increased housing sales, and minimal price and wage pressures.

Increased exports gave China a \$15.25 billion trade surplus in February, slightly less than in January. Chinese stocks took a tumble early in the week after the nation's governing body announced plans designed to curb speculation in China's soaring real estate market.

Global status quo: The European Central Bank, the Bank of Japan, and the Bank of England all kept their monetary policies and interest rates unchanged. However, the Bank of Japan's chairman is scheduled to be replaced in April, and a change of leadership could mean fresh stimulus measures there.

Americans worked 2.5% fewer hours in Q4 2012, according to the Commerce Department. That helped cut business productivity for the quarter at an annualized rate of 1.9%. However, productivity rose 0.5% between Q4 2011 and Q4 2012, and was up 0.7% for all of 2012.

New orders at U.S. factories fell 2% in January. However, the Commerce Department said that non-transportation orders were up 1.3%, while business inventories rose for the 15th time in the last 16 months.

All but one of 18 bank holding companies passed the Federal Reserve's most recent stress tests, designed to see how well the banks would cope with extreme economic conditions. Only auto lender Ally Financial fell below the required minimum capital level under the Fed's scenarios. This is the third year such tests have been conducted, but the first under Dodd-Frank guidelines.

Eye on the Week Ahead

Investors will be anxious to see if the Dow's winning streak will continue, and whether the S&P 500 will join it in record territory. Retail sales will be of interest, while quadruple witching options expiration could increase volatility.

Key dates and data releases: retail sales (3/13); wholesale inflation (3/14); consumer inflation, industrial production, quadruple witching options expiration (3/15).

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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