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MARKET WEEK: MARCH 12, 2012

The Markets

After a rough Tuesday, domestic equities nevertheless mostly managed to struggle back to even. Hurt by the year's first triple-digit one-day downdraft, the Dow was left behind as the other three domestic indices managed gains (though the S&P 500's single point barely qualifies). By Friday--the third anniversary of the bull market that began on March 9, 2009--the small-cap Russell 2000 had recaptured just over half of last week's losses.

Market/Index	2011 Close	Prior Week	As of 3/9	Week Change	YTD Change*
DJIA	12217.56	12977.57	12922.32	-.43%	5.77%
Nasdaq	2605.15	2976.19	2988.34	.41%	14.71%
S&P 500	1257.60	1369.63	1370.87	.00%	9.01%
Russell 2000	740.92	802.42	817.00	1.82%	10.27%
Global Dow	1801.60	1999.88	1979.18	-1.04%	9.86%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.89%	1.99%	2.04%	5 bps	15 bps

*Equities data reflect price changes, not total return.

Last Week's Headlines

In the largest sovereign restructuring on record, 85% of private Greek bondholders agreed to "voluntarily" swap their holdings, which allows Greece to invoke collective action clauses that impose the same terms on most of the remaining creditors. The arrangement will cut the country's roughly €200 billion of debt by more than half and facilitate release of bailout funds that will permit Greece to make bond payments due next week. However, the International Swaps and Derivatives Association said the restructuring qualified as a "credit event." That means that financial institutions who sold credit default swaps on bonds will have to pay off on roughly \$3 billion worth of contracts with bondholders forced by the collective action clauses to accept the deal.

The U.S. economy added 227,000 new jobs in February, according to the Bureau of Labor Statistics. It was the third straight month in which job growth has exceeded 200,000; the BLS also said the numbers for the previous two months were higher than previously thought. However, improved employment prospects also prompted more people to try to reenter the workforce, which helped keep the unemployment rate at 8.3%.

Economic growth declined by 0.3% in both the eurozone and the larger European Union during 2011's last quarter, according to the EU's official statistics agency, though both grew roughly 1.5% last year. European Central Bank President Mario Draghi said the ECB expects the eurozone economy to contract by 0.1% this year, followed by 1.1% growth in 2013. Both the ECB and the Bank of England left their key interest rates unchanged.

China cut its growth rate target for the first time in eight years, lowering it to 7.5% from 8%; Chinese growth has helped fuel commodities demand in recent years.

The U.S. services sector saw its 26th consecutive month of expansion in February. According to the Institute for Supply Management, higher inventories and prices as well as increased production were the biggest contributors to the accelerated growth.

Orders for all manufactured goods fell in January for the first time in three months; according to the Commerce Department, orders were down 1%, with transportation accounting for most of the decline. Meanwhile, labor productivity--a measure of output per hour worked--rose 0.9% in the last quarter of 2011, putting the annual gain at 0.3%.

The Commerce Department said that more imported cars, capital goods, and food helped push the U.S. trade deficit up 4.3% in January to \$52.6 billion.

The Treasury Department sold an additional \$6 billion worth of shares in American International Group as it continues to unwind the investments made by the Troubled Asset Relief Program (TARP); roughly half the amount was purchased by AIG itself.

Harrisburg, Pennsylvania, which was placed in receivership after attempting to file for bankruptcy last year, said it will miss \$5.27 million in municipal bond payments due Thursday.

Eye on the Week Ahead

The Fed's Tuesday announcement will be watched for any discussion of so-called "sterilized" bond purchases in the future that could help keep long-term interest rates low after Operation Twist expires in June. Manufacturing, retail, and inflation data also will give a snapshot of the U.S. economy.

Key dates and data releases: retail sales, Federal Open Market Committee announcement (3/13); import/export prices (3/14); wholesale inflation, international capital flows, Philadelphia Fed/Empire State manufacturing surveys (3/15); consumer inflation, industrial production, quadruple witching options expiration (3/16).

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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