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## MARKET WEEK: JULY 9, 2012

### The Markets

Even the small gains seen in equities early in the week fizzled after the holiday on discouraging economic news from around the globe. Only the Nasdaq and small-cap Russell 2000 were still in positive territory by Friday's close. U.S. Treasury prices benefitted once again from the bad news as the 10-year yield headed south.

Market/Index	2011 Close	Prior Week	As of 7/6	Week Change	YTD Change
<b>DJIA</b>	12217.56	12880.09	12772.47	-.84%	4.54%
<b>Nasdaq</b>	2605.15	2935.05	2937.33	.08%	12.75%
<b>S&amp;P 500</b>	1257.60	1362.16	1354.68	-.55%	7.72%
<b>Russell 2000</b>	740.92	798.49	807.14	1.08%	8.94%
<b>Global Dow</b>	1801.60	1831.63	1814.28	-.96%	.70%
<b>Fed. Funds</b>	.25%	.25%	.25%	0 bps	0 bps
<b>10-year Treasuries</b>	1.89%	1.67%	1.57%	-10 bps	-32 bps

Equities data reflect price changes, not total return.

### Last Week's Headlines

Unemployment remained stalled at 8.2% and the U.S. economy added just 80,000 new jobs in June. According to the Bureau of Labor Statistics, the average monthly increase in new jobs during the second quarter was only 75,000 compared to the 226,000 monthly average in Q1.

Economic news abroad wasn't encouraging. Eurostat said the unemployment rate in the European Union hit a record 11.1% in May, and there also were signs of weakening manufacturing activity in Germany. The European Central Bank cut its key interest rate to a record low 0.75%, and Spanish and Italian 10-year bond yields rose above 7% and 6%

respectively. China also cut its one-year rate for the second time in two months, lowering it to 6%.

According to the Institute for Supply Management, manufacturing activity in the United States fell in June for the first time in three years. The ISM's index dropped to 49.7% from 53.5% the previous month; any number below 50% is considered a contraction. The ISM said new orders and exports also contracted for the first time since mid-2009. However, the Commerce Department said factory orders were up 0.7% in May, and durable goods orders were up even more, by 1.3%.

Meanwhile, China's manufacturing sector also slowed in June to its lowest level in seven months; the National Bureau of Statistics' 50.2 reading was just barely in expansion territory. However, China's services sector saw solid expansion with a 56.7 reading by the NBS.

The U.K. Serious Fraud Office announced it will investigate possible criminal charges in connection with manipulation of the London Interbank Offered Rate (LIBOR). Barclay's PLC was fined £290 million by the U.K.'s Financial Services Authority the previous week after it admitted that false LIBOR-related information had been repeatedly submitted since 2005. It also had previously been fined \$160 million by the U.S. Department of Justice.

The International Monetary Fund urged the United States to reduce uncertainty about the impending "fiscal cliff." The IMF said the package of tax increases and government spending cuts scheduled to take effect in 2013, coupled with the anticipated renewed wrangling over an increase to the U.S. debt ceiling at year's end, could threaten an already tepid economic recovery.

## Eye on the Week Ahead

The week kicks off with Alcoa's earnings release, which marks the unofficial start of the Q2 earnings season. Also, eurozone finance ministers will meet to try to figure out how to implement the recent agreement to tighten fiscal union among countries. Meanwhile, auctions of 10- and 30-year U.S. Treasury securities will suggest whether recent strong demand will continue.

Key dates and data releases: eurozone finance ministers' meeting (7/9); balance of trade, Federal Open Market Committee minutes (7/11); wholesale inflation (7/13).

*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

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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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