

Market Week: January 30, 2012

The Markets

A rally in domestic equities in response to Wednesday's Fed announcement of plans to keep interest rates low couldn't be sustained through the rest of the week. The Nasdaq and small-cap Russell 2000 saw the bulk of the week's gains, demonstrating resilience in the face of uncertainty about Greece's talks with its bondholders. The Fed's announcement pushed intermediate-term Treasury yields down but had little effect on longer maturities.

Market/Index	2011 Close	Prior Week	As of 1/27	Week Change	YTD Change*
DJIA	12217.56	12720.48	12660.46	-.47%	3.63%
Nasdaq	2605.15	2786.70	2816.55	1.07%	8.11%
S&P 500	1257.60	1315.38	1316.33	.07%	4.67%
Russell 2000	740.92	784.62	798.85	1.81%	7.82%
Global Dow	1801.60	1908.00	1928.27	1.06%	7.03%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.89%	2.05%	1.93%	-12 bps	4 bps

*Equities data reflect price changes, not total return.

Last Week's Headlines

- The exception becomes the rule: The Federal Reserve's Open Market Committee announced that interest rates will remain at today's exceptionally low levels longer than previously expected. Saying economic expansion continues to be moderate, the Fed forecast low rates will last through at least late 2014.
- Greece continued to negotiate with its private bondholders over a planned writedown on its sovereign debt. The sticking point is reportedly the interest rate on the bonds that will be exchanged for existing bonds. Meanwhile, leaders attending the Davos World Economic Forum said that despite economic uncertainty, they believe the European debt crisis has begun to come under control.
- The U.S. economy grew 2.8% in the final quarter of 2011. The initial estimate of gross domestic product is higher than the third quarter's 1.8% GDP, but according to the Bureau of Labor Statistics, higher inventory levels were a major factor.
- Sales of new homes fell sharply in December, according to the Commerce Department. The 2.2% monthly decline put sales 7.7% below December 2010, and the 302,000 homes sold in all of 2011 was 6.2% below 2010's total.
- Demand for transportation-related equipment helped produce a 1.8% increase in new orders from manufacturers in November. The Commerce Department said the strongest increase came in durable goods designed to last at least three years, which saw a 3.7% increase in orders. Even excluding transportation, new durable goods orders were up 0.3%, and non-defense-related orders other than aircraft were up 1.8%.
- The International Monetary Fund cut its forecast for 2012 global growth to 3.3%, slightly lower than 2011's 3.8%. Rising interest rates on European sovereign debt and bank deleveraging could bring on a mild recession there, the IMF said, but it also warned that overly aggressive austerity programs could choke off growth.
- The Conference Board's index of leading economic indicators rose 0.4% in December to 94.3. The organization said the reading

would have been stronger except that the index included for the first time a measure of credit conditions, which was negative and helped moderate positive contributions from 7 of the index's 10 indicators.

Eye on the Week Ahead

Believers in the January indicator will be eyeing the end of the month on Tuesday for clues about how the rest of the year might go. A Greek bond agreement could produce euphoria, and a failure to come up with one could produce the opposite. Little change is anticipated in Friday's unemployment figure, and data on the nation's manufacturing and services sectors also will be watched.

Key dates and data releases: personal income/spending (1/30); home prices (1/31); auto sales, U.S. manufacturing, construction spending (2/1); weekly new jobless claims, business productivity and labor costs (2/2); unemployment/payrolls, U.S. services sector, factory orders (2/3).

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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