



# Market Week: November 7, 2011

## The Markets

Greek drama: Once again, uncertainty about Greece eclipsed domestic news to send equities south. The Dow's five-week winning streak was snapped as the industrials once again fell below 12,000, though the Dow remained the strongest domestic index year-to-date. The slump left the S&P 500 just below even for the year and sent investors back into the arms of U.S. Treasuries, pushing the 10-year yield down.

| Market/Index       | 2010 Close | Prior Week | As of 11/4 | Week Change | YTD Change |
|--------------------|------------|------------|------------|-------------|------------|
| DJIA               | 11577.51   | 12231.11   | 11983.24   | -2.03%      | 3.50%      |
| Nasdaq             | 2652.87    | 2737.15    | 2686.15    | -1.86%      | 1.25%      |
| S&P 500            | 1257.64    | 1285.08    | 1253.23    | -2.48%      | -.35%      |
| Russell 2000       | 783.65     | 761.00     | 746.49     | -1.91%      | -4.74%     |
| Global Dow         | 2087.44    | 1964.49    | 1860.04    | -5.32%      | -10.89%    |
| Fed. Funds         | .25%       | .25%       | .25%       | 0 bps       | 0 bps      |
| 10-year Treasuries | 3.30%      | 2.34%      | 2.06%      | -28 bps     | -124 bps   |

## Last Week's Headlines

- Greek Prime Minister George Papandreou blindsided the world by announcing a referendum on whether to accept the terms of the eurozone bailout package. However, the proposal had all the durability of a reality-TV marriage. Under pressure from G-20 summit attendees, he not only reversed himself but agreed to form a new coalition government, prompting reports that he would step down. Meanwhile, European officials said bailout payments would be halted until resolution of the referendum issue, which they said would effectively be a vote on whether Greece wanted to remain in the eurozone.
- Elsewhere on the continent, Italian 10-year bond yields rose to 6.33% at Thursday's auction, underscoring concerns about the country's indebtedness and increasing calls for Prime Minister Silvio Berlusconi's resignation. The European Central Bank cut its key interest rate from 1.5% to 1.25% to try to keep yields from spiraling upward, and new ECB head Mario Draghi said the region faces a "mild recession" by the end of the year.
- An additional 80,000 jobs created in October nudged the unemployment rate down slightly to 9%. It was the 12th straight month of increases, though the 125,000 new jobs created monthly on average for the past year has been just enough to keep the unemployment rate between 9% and 9.2% since April. Business and professional services, leisure and hospitality, health care, and mining created many of October's 104,000 new private-sector jobs, while government employment continued to contract.
- Despite seeing stronger growth in the year's third quarter, the Federal Reserve lowered its forecast for U.S. economic growth in 2011 to 1.6%-1.7% rather than the previous 2.7%-2.9%. It also predicted unemployment would remain static for the rest of the year and stay above 8% through 2013.
- U.S. manufacturing growth slowed in October, according to the Institute for Supply Management, whose index registered 50.8%. Though that represented the 27th straight month of expansion, it was just above the 50% mark that separates expansion from contraction. The ISM's gauge of the U.S. services sector, at 52.9% in October, also indicated growth at a slightly slower pace.
- Troubled European debt claimed its first U.S. victim as brokerage MF Global Holdings filed for Chapter 11 bankruptcy after the firm's



leverage of its bond holdings helped bring on a downgrade of its credit rating to junk status. In the wake of reports of discrepancies in the company's accounting of its assets, CEO and former New Jersey Gov. Jon Corzine resigned.

## Eye on the Week Ahead

Domestic data will be skimpy, and all eyes will be on Greece and Italy to see what emerges from their respective political situations.

Key dates and data releases: international trade, import/export prices (11/10); consumer sentiment (11/11).

*Data source: 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. Equities data reflect price change, not total return.*

*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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