



Market Week: December 5, 2011

The Markets

Santa showed up early this year thanks to a 490-point leap in the Dow on Wednesday, fueled by holiday shoppers and six of the world's central banks. The rally helped give the S&P its best week since March 2009 and the Russell 2000, which has suffered much of the year, its fifth best week ever. It also pushed the Dow back into positive territory for the year as it once again surpassed the 12,000 mark. The Nasdaq came closer to breaking even year-to-date, and even the Global Dow saw solid gains.

Market/Index	2010 Close	Prior Week	As of 12/2	Week Change	YTD Change
DJIA	11577.51	11231.78	12019.42	7.01%	3.82%
Nasdaq	2652.87	2441.51	2626.93	7.59%	-.98%
S&P 500	1257.64	1158.67	1244.28	7.39%	-1.06%
Russell 2000	783.65	666.16	735.02	10.34%	-6.21%
Global Dow	2087.44	1688.11	1837.15	8.83%	-11.99%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.30%	1.97%	2.05%	8 bps	-125 bps

Last Week's Headlines

- The addition of 120,000 jobs in November cut the unemployment rate to 8.6%. That's the biggest single monthly decline in more than 13 years, and puts unemployment at its lowest level since March 2009. However, roughly half of the decline in unemployment resulted from people leaving the workforce altogether. Including workers who are underemployed, have stopped looking for jobs, or are working part-time involuntarily, the unemployment rate is still 15.6%, though that also is lower than October's 16.2%. The Bureau of Labor Statistics said private employers added 140,000 jobs, many of them in retail, leisure/hospitality, and services, while 20,000 local, state, and federal government jobs were cut.
- The Federal Reserve agreed to make it easier for central banks in Europe, Japan, Canada, the United Kingdom, and Switzerland to swap local currencies for dollars. The move is designed to increase liquidity in the global financial system, particularly in Europe. Meanwhile, both German Chancellor Angela Merkel and French President Nicolas Sarkozy called for revisions to the European Union treaty that would permit greater fiscal oversight of member countries' budgets and impose stronger sanctions against lax fiscal discipline.
- Italy had to pay almost 8% on three-year bonds auctioned last week; it was the third time in a week when yields at auction were higher than 7%. However, French bond yields declined and Spain was able to sell out its auction of sovereign debt.
- The National Retail Federation said 17 million more shoppers hit Black Friday weekend sales this year, and they spent an average of 6.4% more than they did last year. Estimates of Cyber Monday sales also were up.
- American business productivity was up 2.3% in the third quarter, and 0.9% higher than a year ago, according to the Bureau of Labor Statistics. Both worker hours and hourly compensation were 1.4% higher than in Q3 2010; however, when inflation is factored in, hourly compensation was actually 2.3% lower than last year.
- Home prices as measured by the S&P/Case-Shiller national index remained lackluster during the third quarter. Though they were up 0.1% from the previous quarter, they were 3.9% lower than in Q3 2010. Even so, that was less than Q2's 5.8% year-over-year



decline. Meanwhile, new home sales were up 1.3% in October compared to the previous month, and 8.9% ahead of October 2010.

- After attempting to rein in inflation over the last year by repeatedly increasing both interest rates and the amount of reserves its banks must hold, China unexpectedly changed course and cut its bank reserve requirement by half a percent for the first time since 2008, which could potentially stimulate lending.

Eye on the Week Ahead

German Chancellor Angela Merkel and French President Nicolas Sarkozy will meet in advance of Friday's eurozone summit to discuss tighter regulation and integration of budget oversight among eurozone countries. Also, the European Central Bank will meet Thursday, and some action on interest rates could result. Finally, after last month's disappointing results, German bond auctions will be watched.

Key dates and data releases: factory orders, U.S. services sector (12/5); international trade, consumer sentiment (12/9).

Data sources: Includes data provided by Brounes & Associates; historical performance based on data from the Stock Trader's Almanac 2011. 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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