WEEKLY MARKET WRAP

JANUARY 28 – FEBRUARY 3, 2012

	2/3/2012	1/27/2012	% Change	% YTD
DJIA	12,862.2	12,660.5	1.6%	5.3%
S&P 500	1,344.9	1,316.3	2.2%	6.9%
Nasdaq	2,905.7	2,816.6	3.2%	11.5%
Russell 2000	831.1	798.9	4.0%	12.2%

Friday began with a crescendo to emphasize an improving economy in an otherwise lackluster week in the stock market. The catalyst for the strong surge in Friday's trade came from the monthly jobs report that showed the economy created 243,000 new jobs in January!! This was a large increase from the December report that showed an increase of 203,000 jobs. Last month brought a strong uptick in job creation that portends better things ahead for workers and the economy. In addition to the strong job creation, the unemployment rate fell to 8.3% in January, down from 8.5% in December. This development was music to the ears of politician who have had to tell citizens to be patient with the recovery that has been much slower than in previous cycles. Obviously two good months does not a trend make, but it was well received by investors, resulting in a strong showing on Friday of +1.4% for the S&P 500. Also, the market has turned in a strong performance during the first month of the year as the major indexes were up 3% to 9% for January and 23% since the October low. Today the S&P 500 Index finished at a 3 ½ year high of 1,344.

This week also saw a number of other improving macro-economic developments. The ISM Manufacturing Index for January increased to 54.1 and the ISM Services Index reached a level of 56.8. These two readings serve to confirm that business activity is improving. This was further emphasized by the 1.1% increase in factory orders for December and the 0.7% increase in worker productivity in the fourth quarter. Another promising development was the 14.2 million annual level of auto sales in January. Ford and Chrysler showed nice improvement, but GM's sales fell.

A more sobering development came from the S&P/Case-Shiller Index for November that showed housing prices fell 3.7% in 20 cities around the country. The housing market has remained depressed partly due to high unemployment and the general uncertainty being felt by everyone. However, earlier in the week consumer income was reported to have grown 0.5% in December; however, spending remained unchanged as consumers chose to save rather than spend this last holiday season.

In this election year, news from Washington has been intense. President Obama was campaigning actively this week and announced a plan to allow certain home owners to refinance their under-water mortgages to take advantage of cost savings from this unusually low interest rate environment. Fed Chairman, Bernanke, testified before the

House Budget Committee regarding the economy to explain the current policies of the Federal Reserve. He gave a mixed assessment of the economy and warned of external surprises. Much of the questioning was along party lines. He was also asked for his suggestions on legislation needed to stabilize and grow the U.S. economy in the future. Bernanke aimed his response at the mounting costs of health care and retirement costs that must be addressed by a combination of revenue increases and cost reductions. Even Treasury Secretary Geithner was in the news with his speech about the pending legislation aimed at strengthening the regulation of the financial services industry. He emphasized that pending legislation was meant to avoid future government bailouts and instill confidence on the part of depositors and investors and warned detractors to "get out of the way".

Earnings reports this week were very active, but it is clear that the robust growth in earnings that prevailed for the last twelve quarters have slowed. Corporate CEO's have used the release of fourth quarter and 2011 earnings to lower guidance and express caution about the outlook. The most notable earnings announcement this week came from Amazon (AMZN) that missed expectations by a wide margin due to stepped up spending to develop its Kindle Reader while continuing to expand and develop other segments of the basic business. Exxon (XOM) met expectations, but somewhat disappointed due to heavy spending and the drag from the marketing and refining side of the business.

Facebook filed its long anticipated IPO this week at a projected valuation of $75 to $100 billion!! This event has created quite a buzz in the market, but certainly capitalizes on the strength, popularity and global reach of this young social networking company and its founder Mark Zuckerberg.

For the week, the yield on the ten year Treasury note rose to 1.93% while the price of oil declined slightly to $97.50 and the price of gold ended at $1,730. The VIX is easing lately, ending the week at 17, but commodity prices rose on Friday's strong jobs report as the CRB Index closed at 314.

Have a great Super Bowl weekend.

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