



## Weekly Recap

November 23, 2011

### Market Returns

INDEX <sup>1</sup>	CLOSE	WEEKLY CHG	YEAR-TO-DATE CHG	12-MONTH CHG
Dow Jones Industrial Avg	11257.55	-538.61 / -4.6%	-2.8%	0.6%
S&P 500	1161.79	-53.86 / -4.4%	-7.6%	-3.1%
S&P 400 MidCap	815.91	-45.13 / -5.2%	-10.1%	-5.6%
NASDAQ	2460.08	-112.42 / -4.4%	-7.3%	-3.3%
NASDAQ 100	2166.54	-87.41 / -3.9%	-2.3%	0.3%
Russell 2000	674.34	-45.08 / -6.3%	-13.9%	-8.4%

	11/23/11 CLOSE	11/23/10 CLOSE
10-Year U.S. Treasury	1.88%	2.77%

Data: The Wall Street Journal; Federal Reserve Board

### Headlines This Week

**GDP (+2.0%)** • (For: Q3 2011, Preliminary • Source: U.S. Bureau of Economic Analysis)

The second estimate for third quarter GDP was lowered from the initial 2.5% estimate due to a substantial adjustment in inventory investment. Overall, the economy grew modestly as exports accelerated.

**Existing Home Sales (+1.4%)** • (For: Oct 2011 • Source: National Association of Realtors)

After falling 3.0% in September, lower prices led to stronger existing home sales in October. The median price fell to \$162,500 from \$165,400 and supply decreased from 8.3 to 8.0 months.

**Durable Goods Orders (-0.7%)** • (For: Oct 2011 • Source: U.S. Census Bureau)

Following a 0.8% decrease in September, a decline in civilian aircraft orders weighed down overall orders. Weakness in the transportation component was partially offset by increases in primary metals and machinery.

**Consumer Spending and Income Advances** • (For: Oct 2011 • Source: U.S. Department of Commerce)

Consumers spending edged up 0.1% following September's 0.6% gain. Meanwhile, personal income rose 0.4% after September's 0.1% increase as wages and salaries gained.

Next week's primary economic reports include:

**Monday, Nov 28**

**New Home Sales (Oct)**

**Thursday, Dec 1**

**ISM Manufacturing Index (Nov)**

**Friday, Dec 2**

**Unemployment Report (Nov)**

## The Bottom Line

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Markets faltered this week due to the failure of the budget super-committee, the continued angst over European debt issues and the usual light trading activity heading into the Thanksgiving holiday weekend. The inability of the super-committee to reach a budget compromise was not surprising. In highlighting the fractious nature of the current political environment, it also reminded investors of the many lingering questions going into 2012. Without progress on the budget, the U.S. potentially risks another round of downgrades from rating agencies such as *S&P* and *Moody's*. Any meaningful reform will likely require a combination of spending cuts and tax increases. The uncertainty of the impact of these as-yet-undetermined measures is keeping investors on the sidelines. Also, the presidential election is likely to start playing a larger role in market sentiment. Investors will be looking for clues on future fiscal policy as the Republican primaries narrow the field in identifying a candidate to challenge President Obama and the race for the presidency shifts into high gear.

Meanwhile, Europe continues to slog through its sovereign debt crises. The strains between conservative factions, primarily Germany and the European Central Bank; and opposing factions, led by France with the support of the bailout nations, are coming to a head. The future of the euro and the fiscal independence of member nations are at stake. Germany's Angela Merkel has indicated her willingness to consider trade-offs that provide stronger controls over profligate countries; this may be the first in a series of moves that fundamentally alter the euro zone's political and economic structure. To date, the ECB has resisted calls to monetize euro-denominated debt. However, as investors drive the cost of debt higher for even financially sound countries, the ECB may be running out of time. The underlying foundations of a resolution are in place; however, we expect that the push and pull of the political process will contribute to elevated volatility in equity markets.

Following the Thanksgiving weekend, investors will focus on Black Friday sales figures as an indication of holiday spending trends. Markets will also pay close attention to Friday's release of the November employment report. Both consumer spending and employment have shown modest improvement of late, and investors will look for signs that recovery in these areas continues to progress.

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<sup>1</sup>The Dow Jones Industrial Average is an unmanaged, price weighted measure of 30 U.S. stocks selected by the Averages Committee to represent the performance of all U.S. stocks outside the Transportation and Utilities sectors. The S&P 500 Index is an unmanaged, market capitalization weighted index which measures the performance of the large cap segment of the U.S. equities market, covering approximately 75% of the U.S. equities market. The Index includes 500 leading companies in leading industries of the U.S. economy. The S&P MidCap 400 Index is an unmanaged, market capitalization weighted which measures the performance of the mid cap segment of the U.S. equities market. The Index includes 400 companies chosen on the basis of market capitalization, liquidity and industry group representation. The NASDAQ Composite Index is an unmanaged, market capitalization weighted measure of all domestic and international common stocks listed on The Nasdaq Stock Market. The NASDAQ 100 Index is an unmanaged, market capitalization weighted measure of 100 of the largest domestic and international non-financial securities listed on The Nasdaq Stock Market based on market capitalization. The Russell 2000 Index is an unmanaged, market-weighted measure of stock market performance. It contains stocks of the 2,000 smallest publicly traded companies of the Russell 3000 Index.