



PACIFIC GLOBAL
Investment Management Company

Weekly Recap

December 23, 2011

Market Returns

INDEX ¹	CLOSE	WEEKLY CHG	YEAR-TO-DATE CHG	12-MONTH CHG
Dow Jones Industrial Avg	12,294.00	427.61 / 3.6%	6.2%	6.2%
S&P 500	1,265.33	45.67 / 3.7%	0.6%	0.7%
S&P 400 MidCap	884.91	29.24 / 3.4%	-2.5%	-2.8%
NASDAQ	2,618.64	63.31 / 2.5%	-1.3%	-1.8%
NASDAQ 100	2,287.57	49.39 / 2.2%	3.1%	2.6%
Russell 2000	747.98	25.93 / 3.6%	-4.6%	-5.2%

	12/23/11 CLOSE	12/23/10 CLOSE
10-Year U.S. Treasury	2.03%	3.41%

Data: The Wall Street Journal; Federal Reserve Board

Headlines This Week

GDP (+1.8%) • (For: Q3, Final 2011 • Source: U.S. Bureau of Economic Analysis)

Due to weaker growth in personal consumption, the third quarter GDP came in lower than the previous estimate of 2.0%. Economic growth still exceeded the second quarter's 1.3% increase.

Existing Home Sales (+4.0%) • (For: Nov 2011 • Source: National Association of Realtors)

After increasing 1.4% in October, sales rose on strong demand for single-family homes. The median price rose to \$164,200 from \$162,500 and supply eased to 7.0 months from 7.6 months.

New Home Sales (+1.6%) • (For: Nov 2011 • Source: National Association of Realtors)

Sales rose for the third straight month following gains of 1.3% and 5.7% in October and September, respectively. Supply fell to 6.0 months from 6.2 months in October; the median price dropped 3.8% to \$214,100.

Housing Starts (+9.3%) • (For: Nov 2011 • Source: U.S. Census Bureau)

Housing starts rebounded after falling 2.9% in October. Strength came primarily from new construction on multi-family dwellings. Permits jumped 13.9% following a 22.7% spike in October.

Durable Goods Orders (+3.8%) • (For: Nov 2011 • Source: U.S. Census Bureau)

Orders rose following an upwardly revised reading of no change in October. Areas of strength included primary metals & machinery and fabricated metals.

Consumer Spending and Income Rises • (For: Nov 2011 • Source: U.S. Department of Commerce)

Following October's 0.1% gain, consumer spending rose 0.1%. Lower gasoline prices tempered an increase in spending on durable goods and services. Personal income rose 0.1% following a 0.4% increase in October.

Looking Ahead

Next week's primary economic reports include:

Monday, Dec 26

U.S. Markets Closed

The Bottom Line

Positive economic news helped lift stocks this week. Importantly, the housing and job markets appear to be entering a recovery phase. Continued improvement in these key areas could stimulate stronger-than-expected economic growth next year. Indeed, companies have signaled their confidence through acquisitions, expansions, and stock buybacks. Likewise, investors seem to be warming to the idea that the U.S. will be able to withstand the fallout from events in Europe. On that front, the ongoing sovereign debt crisis enjoyed a week of relative peace and quiet. Notably, the European Central Bank issued a record amount of short-term loans to its member institutions. The access to capital eased concerns of a "Lehman-style" liquidity crisis. Such steps by the ECB may facilitate a more fundamental fiscal solution to issues faced by effected nations.

With this week's gains, the S&P 500 has moved into positive territory for the year; this, given its challenges, is a considerable achievement. Volatility may be the hallmark most investors attribute to the past twelve months. However, we believe the resilience of the equity market deserves equal acknowledgment. Moreover, the performance of individual companies has demonstrated the benefits of owning high quality enterprises with strong management teams. These businesses tend to proactively utilize downturns and recoveries to enhance market positions and expand operations. As the economy gains strength, the benefits of these actions will become increasingly evident. Indeed, the ongoing domestic recovery and strength of U.S. corporations sets a promising stage for equities in 2012.

Any specific securities referenced in this commentary may or may not be held in client portfolios.

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¹The 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.