PACIFIC GLOBAL
Investment Management Company

Weekly*Recap*

January 6, 2012

Market*Returns*

INDEX[1]	CLOSE	WEEKLY CHG	YEAR-TO-DATE CHG	12-MONTH CHG
Dow Jones Industrial Avg	12,359.92	142.36 / 1.2%	1.2%	5.9%
S&P 500	1,277.81	20.21 / 1.6%	1.6%	0.5%
S&P 400 MidCap	891.49	12.33 / 1.4%	1.4%	-2.1%
NASDAQ	2,674.22	69.07 / 2.7%	2.7%	-1.1%
NASDAQ 100	2,356.17	78.34 / 3.4%	3.4%	3.5%
Russell 2000	749.71	8.79 / 1.2%	1.2%	-4.8%

	01/06/12 CLOSE	01/06/11 CLOSE
10-Year U.S. Treasury	1.96%	3.44%

Data: The Wall Street Journal; Federal Reserve Board

Headlines*This Week*

Payroll Jobs Gain 200,000 • (*For:* ***Dec 2011*** • *Source:* ***U.S. Department of Labor***)

Following a revised increase of 100,000 jobs in November, employers added both private goods-producing and service-providing jobs. The nation's unemployment rate dipped to 8.5% from 8.6% in November.

Manufacturing Sector Growth Accelerates • (*For:* ***Dec 2011*** • *Source:* ***Institute for Supply Management ("ISM")***)

The ISM Manufacturing Index* jumped to 53.9 from 52.7 in November. New orders, production, general business activity, including employment, were strong.

Service Sector Continues Modest Expansion • (*For:* ***Dec 2011*** • *Source:* ***ISM***)

The ISM Non-Manufacturing Index* edged up to 52.6 from 52.0 in November. Business activity remained positive and employment showed mild improvement.

*An ISM reading of 50 or above indicates sector expansion.

Looking*Ahead*

Next week's primary economic reports include:

Thursday, Jan 12	**Retail Sales** (Dec)
Friday, Jan 13	**International Trade** (Nov)

The New Year began with more positive news on domestic economy. Importantly, the labor market appears to be finally gaining momentum. Over the past several months, hiring activity has improved materially while layoffs have declined. Indeed, companies are increasingly confident the U.S. can weather any fallout from the European sovereign debt crisis. As a result, nascent signs of a virtuous cycle are emerging: increased business confidence drives hiring activity which spurs consumer spending that further lifts company outlooks. Progress, however, remains vulnerable owing in particular to the continuing weakness in housing. Tight lending standards by banks have largely neutralized the Federal Reserve's low interest rate policy. Normally, low rates drive mortgage refinancing activity which puts more money in consumers' pockets. So far, this has not taken place in any meaningful way. The housing sector also contributes directly to a broad spectrum of industries, including construction, manufacturing, banking, and home improvement; as such, it is receiving increased attention from policymakers in 2012.

Our outlook for equities remains constructive. We continue to believe that overall economic growth will be modest at best; yet conditions for leading businesses appear stronger than they have been for several years. Certain sectors, such as *Energy* and *Technology*, seem to be in the early stages of multi-year expansions. And, individual companies have become increasingly proactive in setting the stage for future growth. Other factors that may contribute to a strong year in equities include: the potential resolution of the European debt crisis; the impact of free trade agreements with South Korea, Colombia and Panama that were signed in 2011; growing consumer demand in emerging global economies; corporate mergers and acquisitions; and further gains in employment. Additionally, the upcoming election cycle will play a more meaningful role in market sentiment and activity as developments unfold. Volatility will likely remain elevated due to the current dominance of computer trading programs and exchange traded funds. However, such short-term price swings can create meaningful opportunities for long-term investors.

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[1]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.