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AND THAT'S THE WEEK THAT WAS...

For the Week Ended January 27, 2012

Market Matters...

Market/Index	Year Close (2011)	Qtr Close (12/31/11)	Previous Week (01/20/12)	Current Week (01/27/12)	YTD Change
Dow Jones Industrial	12,217.56	12,217.56	12,720.48	12,660.46	3.63%
NASDAQ	2,605.15	2,605.15	2,786.70	2,816.55	8.11%
S&P 500	1,257.60	1,257.60	1,315.38	1,316.33	4.67%
Russell 2000	740.92	740.92	784.62	798.85	7.82%
Global Dow	1,801.60	1,801.60	1,908.00	1,928.27	7.03%
Fed Funds	0.25%	0.25%	0.25%	0.25%	0 bps
10 yr Treasury (Yield)	1.87%	1.87%	2.03%	1.90%	0 bps

Let's go New York Giants...I guess. When an original National Football League teams wins the Super Bowl, the stock market goes up; when they lose, equities fall. Such has been the case in 36 of the 45 championship games or 80% of the time. Well, the Giants are an original NFL team (and the Patriots are not), so investors should be pulling for them, right? In 2008, these same two teams matched up, the Giants prevailed, and the major equity indexes each tumbled over 30% during the year. (Maybe the headline indicator is more valid?)

Shifting to politics, Prez O used the State of the Union address to initiate his reelection campaign and played to his base: higher taxes on the wealthy (that's you, Mitt), disincentives to outsource to less developed countries (like Greece, Italy, and Spain?), more investigations into the mortgage crisis (enough already). Republicans took aim at each other again and even Paul and Santorum start to look more "Presidential" compared to the frontrunners. While they all bemoan the Administration's track record, **Bespoke Investment Group** points out the Dow Jones has surged 60% since Obama took office (and only four others presidents can claim a 50%+ increase during their initial three years). Not bad for one of the so-called most anti-business leaders of all time.

Earnings season picked up steam and again the results were mixed at best. Economic bellwether **Caterpillar** reported a solid 60% rise in profits and offered an optimistic forecast for next year; **Apple** produced record earnings and revenues on sales of the "new and improved" iPhone; **Conoco** reaped the rewards of higher crude prices. The airlines rebounded this quarter as **Delta** and **US Airways** offered fewer discounts and found new revenue sources (bags no longer travel free). On the flipside, consumer giant **Procter & Gamble** struggled with rising commodity prices; **AT&T** took a hit from the failed **T-Mobile** merger; **Verizon** made revenue strides with Apple subscribers, but missed on earnings as pension charges and a worker strike hurt the bottom line. **Ford** posted a record profit, but analysts worry about how the higher commodities, the floods in Thailand, and continued uncertainties in Europe will impact future operations. In other news, **Facebook** moved closer to IPO filing, most likely with a \$75 to \$100 billion valuation.

Equities were mixed during the week as investors took clues from the lackluster earning numbers, decent signs from the domestic economy, ongoing uncertainty in Europe (thanks Greece), and the Fed's "new" open communications plan that implied rates will remain low (near 0%) well into 2014. The Dow jumped to an eight-month high after the Fed meeting, only to give back some gains in the days to follow. Oil prices rose on news that the European Union plans to halt crude imports from Iran as part of new sanctions to prevent nuclear development. Still, energy traders remained worried about future demand as many EU nations look to be moving to life support and the Fed's rate statement seemed to imply that the domestic economy will stay sluggish for the foreseeable future. As the month nears a close, equities hold onto their early gains (so perhaps the January Effect will prove most telling this year).

Economic Calendar

Date	Release	Comments
January 25	Fed Policy Meeting Statement	Expect 0%-ish rates through 2014
January 26	Jobless Claims (01/21/12)	Less volatile 4-week average dropped again
	Durable Goods Orders (12/11)	3 rd consecutive increase
	New Home Sales (12/11)	Surprising decline after 3 straight increases
	Leading Eco Indicators (12/11)	3 rd consecutive increase as 7 of 10 indicators rose
January 27	GDP (4 th qtr)	Best showing since early 2010
The Week Ahead		
January 30	Personal Income/Spending (12/11)	
January 31	Consumer Confidence (01/12)	
February 1	ISM – Manu (01/12)	
	Construction Spending (12/11)	
February 2	Jobless Claims (01/28/12)	
February 3	Unemployment Rate (01/12)	
	Nonfarm Payroll (01/12)	
	Factory Orders (12/11)	
	ISM – Services (01/12)	

All's well on the economic front (for the most part). The GDP grew at a 2.8% rate in the December quarter, its best pace since the first half of 2010, though eternal pessimist point out that prior recessions have led to far stronger recoveries. Though claims for unemployment benefits climbed last week, they still remain comfortably below the crucial 400k level that indicates jobs expansion in the country. Additionally, the less volatile four-week moving average fell by another 2,500 in the latest release so the overall market still appears to be on track. Manufacturing looked strong again as durable good orders rose for the third straight month, although some companies continue to struggle ill-effects of the Thailand floods. Despite certain signs of an ever-so-slow rebound, housing still remains a problem (at least, new construction) as new home sales fell in November, reversing a positive trend that lasted three straight months.

The Fed got together this week for the first time in 2012 and consensus (though far from unanimous) seems to be for low rates through 2014. The policymakers hope that the short-term rate will help keep longer rates down as well which will serve to stimulate growth in the economy through more borrowing, spending, and investing. Still, the more transparent communications showed that six of the 15 Fed officials still believe that an earlier rate hike is likely. While Bernanke and friends acknowledged that labor is improving, the outlook for overall growth was slightly down from the November meeting as they remain concerned about prospects for higher taxes, government job cuts, and, of course, the never-ending European debacle.

Speaking of...Greece continued to negotiate new terms with its creditors and the International Monetary Fund pressed for restructured rates below the 4% level. Germany conducted a highly successful bond (or, is it bund?) auction and will pay its lowest rates since the inception of the euro (though Portugal's borrowing costs continue to surge). The IMF revised (downward) its forecasts for global growth in 2012 and warned that the results could be even worse if the debt crisis continues without any real resolution in the near future.

On the Horizon...As January goes, so goes the market for the year. Can we keep these gains for two more days? A few key bellwethers post earnings...**Exxon Mobil** looks to set new records; **Amazon** shows the effects of the holiday season; and **UPS** provides new signs about the strength of the overall economy. Labor and manufacturing highlight a very busy week on the economic calendar as investors hope to see continued positive trends from the ISM (manu), nonfarm payroll, and the unemployment rate. And, of course, Europe is never too far from the weekly headlines. (The more things change...) Go Giants (a week early).