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AND THAT'S THE WEEK THAT WAS... For the Week Ended February 3, 2012

Market Matters...

Market/Index	Year Close (2011)	Qtr Close (12/31/11)	Previous Week (01/27/12)	Current Week (02/03/12)	YTD Change
Dow Jones Industrial	12,217.56	12,217.56	12,660.46	12,862.23	5.28%
NASDAQ	2,605.15	2,605.15	2,816.55	2,905.66	11.54%
S&P 500	1,257.60	1,257.60	1,316.33	1,344.90	6.94%
Russell 2000	740.92	740.92	798.85	831.11	12.17%
Global Dow	1,801.60	1,801.60	1,928.27	1,976.98	9.73%
Fed Funds	0.25%	0.25%	0.25%	0.25%	0 bps
10 yr Treasury (Yield)	1.87%	1.87%	1.90%	1.95%	+8 bps

It's all over but the formalities (and about 40 more primaries). Sorry Newt. After a huge victory in Florida, Mitt Romney received what all candidates have coveted...an endorsement from the biz legend himself (at least in his own mind), Donald Trump. In standard sour grapes fashion, candidate Ron Paul issued the following statement, "why anyone would care about Trump..." Apparently, the out-of-touch Paul is unfamiliar with *The Apprentice* (is Trump known for anything else?). The Donald could not have been more enthusiastic in his praise for Romney. "He's a warm, smart, tough cookie." (That's more enthusiastic than Mitt's other endorsements.)

Though earnings season generally has gone well, investors cringed at some of the news of the week as **Amazon.com** posted profits that fell 57% and warned about a potential loss in the current quarter as it continues to invest in improved offering and distributions. Likewise, economic bellwether **UPS** reported a near-30% decline in earnings (on a pension accounting change) and gave a weaker outlook for global growth in 2012 (though things in the US are looking up). **Exxon-Mobil** reaped the benefits of higher crude prices (that was then, this is now), but the report also depicted a fall in production. Same store sales numbers remained reasonably upbeat in January as **Thomson Reuters** reported a 4.2% gain in January with **Costco** and **Target** leading the charge (while **Macy's** lagged). Likewise, automakers experienced a good January as **Chrysler** and **Ford** revealed solid sales results, though **GM** suffered a bit from deep discounting.

Transactions were back in the news as Swiss **ABB** is buying electrical equipment giant **Thomas & Betts** for \$3.9 bln; **Xstrata** and **Glencore** are discussing a merger to create one of the world's largest mining companies; Exxon-Mobil is selling off its Japanese subsidiary for almost \$4 bln, and **Delta** and **US Airways** still seem interested in bankrupt **AMR** (American Airlines). The European Union put the final kibosh on the proposed \$17.9 billion merger of **Deutsche Börse AG** and **NYSE Euronext**. And **Facebook** finally filed for a spring IPO to raise over \$5 mln that could value the social media behemoth between \$75 billion and \$100 billion, far surpassing **Google**, the previous largest Interest offering that raised \$1.9 bln with a \$23 billion valuation.

As January goes, so goes the market for the year. (Well, let's hope so.) As the initial month came to close, the Dow Jones (+415 points and 3.4%) and the S&P 500 (+55 points and +4.4%) each experienced their biggest January point gains since 1997. (Guess traders can head to the Hamptons and miss all the "fun" of the next 11 months.) Apparently some of them did take off as the markets gave back ground over the days that followed as lackluster earnings eased some of the prior euphoria and many worried about the late week labor releases. Well, all that chatter about an improving jobs market may prove to be accurate as investors were pleased with the releases (see below) and pushed the Dow Jones to its highest level since 2008 (and the Nasdaq to its best since 2000). Higher inventories helped push oil prices down to a six-week low, though the jobs news brought a few buyers back late in the week. You hiring these days, Mr. Trump?

Economic Calendar

Date	Release	Comments
January 30	Personal Income/Spending (12/11)	Incomes up but cautious folks saving more
January 31	Consumer Confidence (01/12)	Surprising drop in January
February 1	ISM – Manu (01/12)	Continued expansion in manufacturing for 30 months
	Construction Spending (12/11)	Best showing in 4 months
February 2	Jobless Claims (01/28/12)	Decline in both weekly claims and 4-week average
February 3	Unemployment Rate (01/12)	Lowest rate since February 2009
	Nonfarm Payroll (01/12)	Biggest gain since April
	Factory Orders (12/11)	Solid rebound in business investment
	ISM – Services (01/12)	Fastest pace in almost a year
The Week Ahead		
February 7	Consumer Credit (12/11)	
February 9	Jobless Claims (02/04/12)	
February 10	Balance of Trade (12/11)	

The hectic economic calendar kept investors heads spinning as the data of the week came fast and furious. To start with, despite positive signs of improvements from the labor market as of late, consumer confidence tumbled in January, reversing the favorable mindsets of the prior two months even though personal income grew by 0.5% in December. Manufacturing continued to “blow and go” as the ISM index reported another solid month of expansion and the new orders index jumped to its highest level since April 2011. Though home prices across much of the country fell again according to the recent **S&P Case Shiller** index, construction spending in December climbed at the fastest pace in four months. Both the **ADP/Macro-economics** payroll report and the weekly jobless claims data depicted a labor market that is continuing to improve, though investors still waited with bated breath for the government’s unemployment rate and nonfarm payroll numbers late in the week. And the answer is...The unemployment rate dropped to 8.3% in January, its lowest level since February 2009 and the economy added a larger-than-expected 243,000 new jobs last month, the strongest gain since April 2011. While many analysts remained skeptical about the recent improvement in the weekly jobless claims releases, the new government data served to lend more credibility to the strength in labor.

Fed Chair Bernanke made his periodic trek to Congress (no love loss there) and scolded (in no uncertain term) Congress and the Administration over the need to make the debt situation priority number one. He pointed to the debacle in Europe as proof positive that investors can lose confidence quickly. (For now, domestic interest rates remain low despite the S&P ratings cut of US debt last August, but certain EU countries help reinforce the idea that things can change on a dime.) Dr. B. spoke of the need to find a balance between economic growth and reducing the debt and said the bickering must stop in order to tackle the country’s current fiscal challenges.

Shifting abroad, China appears ready to lend a helping hand to still struggling Europe as its government claimed to be considering an investment in the EU rescue fund. The global Superpower also made a few key energy investments as its economy chugs along (to put it mildly) at enviable rates. **PetroChina** bought a 20% interest in a **Royal Dutch** Canadian shale project; **China Investment Corp** took a minority stake in **EIG Global Partners**; and **China National Offshore** entered into a joint venture with **Isototon** to build solar projects. Meanwhile, the Greek government remains in intense negotiations with private creditors about the debt write-down, a move that is needed before enhanced bailout funds can be released.

On the Horizon...Earning season plods along with consumer-driven companies like **Walt Disney** and **Coca Cola** highlighting the calendar. Investors get a break on the economic front as the mad rush of releases slows, allowing them time to digest this week’s data, particular the news from the labor front. (Surely consumers should be more confident after the favorable developments?)

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