

Weekly Market Update



General Market News

- Equity markets were mixed last week, as correlations among the various indices we track fell. The S&P 500, for example, gained just 0.09 percent, while the technology-heavy Nasdaq gained more than 1 percent.
- The Federal Reserve (the Fed) announced last week that it plans to keep benchmark fed funds rates at current levels at least through late 2014.
- Treasuries rallied on the news, sending yields to weekly lows. The 10-year Treasury, the strongest part of the curve, was back below 2 percent late last week, ending at around 1.9 percent.
- International equity markets continued to bounce back after a very difficult 2011, and they are among some of the strongest gainers for the year. The MSCI Emerging Markets Index is up 10.82 percent year-to-date, as concerns over a hard economic landing have subsided somewhat.
- Municipals started the year on a strong note, with strong returns resulting from large inflows, as investors sought safety with better yield compared with Treasuries.
- Corporate earnings season will peak this week. Overall results have been uninspiring, with just 59 percent of companies beating expectations. The results reflect a more challenging environment for some corporations.
- Mortgage rates were up last week from historical lows but remained below 4 percent for the eighth consecutive week.
- Negotiations in Europe pushed Greek 2-year debt to 181 percent—the highest on record. The rest of the region was rallying late in the week.



Market Index Performance Data

EQUITIES

Index	Week-to-Date %	Month-to-Date %	Year-to-Date %	12-Month %
S&P 500	0.09%	4.79%	4.79%	3.45%
Nasdaq Composite	1.08%	8.15%	8.15%	3.29%
DJIA	-0.47%	3.78%	3.78%	8.46%
MSCI EAFE	2.33%	6.67%	6.67%	-8.98%
MSCI Emerging Markets	2.01%	10.82%	10.82%	-8.83%
Russell 2000	1.83%	7.87%	7.87%	1.80%

Market Index Performance Data (continued)

FIXED INCOME

Index	Month-to-Date (MTD) %	Year-to-Date (YTD) %	12-Month %
U.S. Aggregate	0.51%	0.51%	8.29%
U.S. Treasury	-0.07%	-0.07%	9.83%
U.S. Mortgage-Backed Securities	0.36%	0.36%	6.55%
Municipal Bond	1.85%	1.85%	13.73%
U.S. Treasury: U.S. TIPS	1.55%	1.55%	15.48%



What to Look Forward to

A number of important economic data points are set for release this week. **ISM Manufacturing** may rise to its highest level since last June, if economists are correct. The outlook for manufacturing took a hit in the second half of 2011, but, over the past couple of months, it seems that the sector may have resumed its growth trend.

According to consensus estimates, **Nonfarm Productivity** may have improved at a 1-percent annualized rate in the fourth quarter. The recently improving employment situation may

make sustained productivity growth difficult going forward. Coming out of the recession, productivity spiked, as fewer workers took on more tasks. This trend may reverse somewhat in 2012 if hiring increases.

Nonfarm Payrolls are anticipated to have risen by 150,000 jobs in January, while the **Unemployment Rate** may remain pegged at 8.5 percent. At this time last year, unemployment stood at 9.1 percent, so there has been some mild improvement in the jobs market.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. The Barclays Capital Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Barclays Capital Mortgage-Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Barclays Capital Municipal Bond Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. The Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index measures the performance of intermediate (1- to 10-year) U.S. TIPS. Rev. 01/12.

Authored by the Investment Research team at Commonwealth Financial Network.