



TANISTRY

WEALTH MANAGEMENT

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The Capital Markets

Despite positive economic reports during the month, global equities were weak. A feeling that the markets had come too far too fast emerged as various challenges surfaced. These included:

- anti Wall Street rhetoric from President Obama
- lending restrictions in China to slow an overheating economy
- economic challenges in various European countries - most particularly in Greece

The S&P 500 Index was down 3.6% for the month.

International equity returns were much in-line with those in the United States. The MSCI EAFE Developed Markets Index was off 4.4%. Emerging markets fared slightly worse as investors sought to dial back risk exposures within portfolios. The MSCI Emerging Markets Index lost 5.6% for the month.

In the fixed income market, the Barclays US Aggregate Index was up 1.5% for the month and the 10-year U.S. Treasury bond ended the month with a yield of 3.59%, a decline of 25bps for the period.

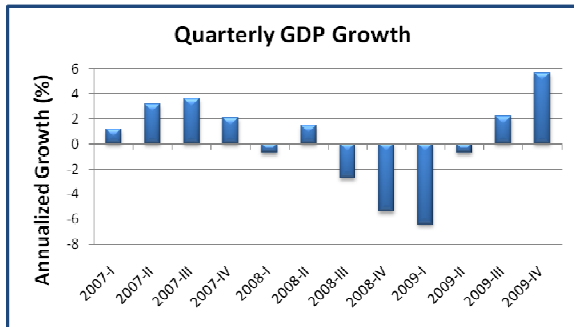
January's Economic Releases

General

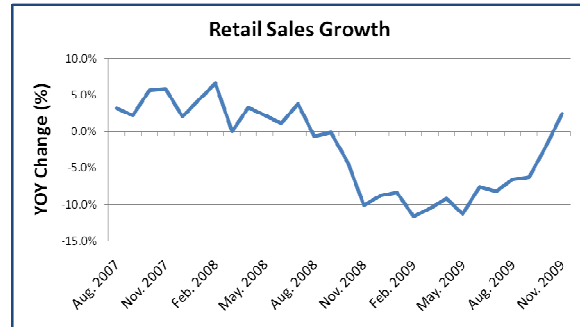
	Prior	Current
GDP	2.2% (Q3)	5.7% (Q4)
Leading Economic Index	1.0% (Nov)	1.1% (Dec)
Trade Balance	-\$33.2 B (Oct)	-\$36.4 B (Nov)

Employment

	Prior	Current
Initial Jobless Claims	478,000	470,000
Continuing Claims	4.7 MM	4.6 MM
Nonfarm Payrolls	4,000 (Nov)	-85,000 (Dec)
Unemployment Rate	10.0% (Nov)	10.0% (Dec)
Average Weekly Hours	33.2 (Nov)	33.2 (Dec)



Data Source: U.S. Bureau of Economic Analysis



Data Source: U.S. Census Bureau

Consumer

	Prior	Current
Cons. Confidence Index (Conf. Board)	53.6 (Dec)	55.9 (Jan)
Cons. Sentiment Index (U. of Michigan)	72.8 (Dec)	74.4 (Jan)
Retail Sales (YoY)	-2.2% (Oct)	2.5% (Nov)
Consumer credit	-\$4.2 B (Oct)	-\$17.5 B (Nov)



Manufacturing & Service

	<u>Prior</u>	<u>Current</u>
ISM Manufacturing Index	53.6 (Nov)	55.9 (Dec)
ISM Non-manufacturing Index	48.7 (Nov)	50.1 (Dec)
Durable Goods Orders	-0.4% (Nov)	0.3% (Dec)
Industrial production	0.6% (Nov)	0.6% (Dec)
Capacity utilization	71.5% (Nov)	72.0% (Dec)

Real Estate

	<u>Prior</u>	<u>Current</u>
New Home Sales	370,000 (Nov)	342,000 (Dec)
Existing Home Sales	6.54 MM (Nov)	5.45 MM (Dec)
Housing starts	580,000 (Nov)	557,000 (Dec)
Case-Shiller Home Price Index (YOY)	-7.3% (Oct)	-5.3% (Nov)

Inflation

	<u>Prior</u>	<u>Current</u>
Consumer Price Index (YoY)	1.8% (Nov)	2.7% (Dec)
CPI ex food/energy	1.7% (Nov)	1.8% (Dec)
Producer Price Index (YoY)	2.4% (Nov)	4.4% (Dec)
PPI ex food/energy	1.2% (Nov)	0.9% (Dec)

Closing Levels

S&P 500 Index	1,074	Gold	\$1,082/oz
10-Year Treasury Yield	3.59%	Oil	\$72.72/bl

In the early days of the recovery, investors were heartened by bad news becoming less bad. Earnings expectations were conservative and hopes for economic advancement were modest. Memories are short. For many, the darkest days of economic crisis appear less ominous in the rear view mirror. The collective outlooks for corporate profitability and economic performance have now risen to harder to achieve levels. Concurrently, on a global basis, investors are the most bullish they have been since before the credit crisis. Fund managers have increased their allocations to equities and are now sitting on the lowest levels of cash balances since mid 2007. Additionally, while we are encouraged by progress in many of the statistics shown in this report, concerns remain regarding the sustainability of positive economic trends in light of diminishing stimulus measures.

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