

STIFEL NICOLAUS

The Mark and Jason Group

Weekly Market Update

Week of January 17, 2011

THE MARKETS:

The bluebird of happiness has landed in the headlines again. In the longest winning streak since April 2010, the Dow posted its seventh straight week of gains as investors fly in the face of lackluster economic data. Driven by a rally in the financial sector, U.S. stocks reached their best closing levels in two and a half years.¹

Despite higher than expected unemployment numbers, more Americans are dining out, traveling, and paying down their debt² – all signs that people are feeling more confident in their spending ability. The National Retail Federation reported that holiday retail sales showed the biggest percentage gain in six years, rising 5.7%.

While the recent increase in optimism is a relief, it is prudent to remember that too much optimism can be dangerous. It is especially during times when euphoria is spreading that we need to be realistic and balanced in our expectations. In the words of noted stock investor, businessman and philanthropist Sir John Templeton, “Bull markets are born in pessimism, grow on skepticism, mature on optimism and die on euphoria.” Despite recent positive developments, many investors remember these timely words. There are still a number of challenges worth keeping an eye on, such as sovereign debt concerns in Europe, and the rising cost of basic goods. Keeping such issues in mind helps maintain a balanced approach toward investing.

While we are not recommending that any specific action be taken, we are highlighting the importance of avoiding the type of irrational exuberance that leads to poor, emotional decision making. If you have questions, please remember that we are always here to help you balance the risks and the rewards associated with investing.

ECONOMIC CALENDAR:

Monday – US Holiday: Martin Luther King, Jr. Day

Tuesday – Empire State Manufacturing

Wednesday – Housing Starts, Redbook

Thursday – Jobless Claims, Existing Home Sales, Leading Indicators, Philadelphia Fed Survey, EIA Natural Gas, EIA Petroleum Status

Data as of 01/14/2011	1-Week	YTD	1-Year	5-Year	10-Year
Standard & Poor's 500	1.71	2.83	12.61	0.09	-0.19
Dow	0.96	1.81	10.05	1.51	1.20
NASDAQ	1.93	3.86	18.93	3.78	0.49
MSCI EAFE	3.63	2.11	3.54	1.10	N/A
10-year Treasury Note (Yield Only)	3.33	3.31	3.73	4.35	5.23

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized.
Sources: Yahoo! Finance, MSCI Barra. Past performance is no guarantee of future results.
Indices are unmanaged and cannot be invested into directly. NA means not available.

HEADLINES:

The U.S. federal government will bill states \$1.3 billion in interest on jobless-pay loans. Thirty states owe money to the federal government for their unemployment programs. The first interest payment on the borrowed \$41 billion is due in September.³

Wall Street is facing its first blitz of fourth-quarter earnings, with Bank of America Corp., General Electric Co. and Apple Inc. among the industry titans slated to report in coming days. With the U.S. financial markets closed Monday for Martin Luther King Jr. Day, Wall Street faces a holiday-shortened week.⁴

BP and Russia's state-controlled Rosneft agreed to a share swap under which they would jointly explore for offshore oil and gas, in a deal that immediately raised concerns in the United States about Russia's global oil ambitions. The deal gives BP access to highly sought after reserves of oil and natural gas in Russia's remote Arctic region. BP will trade 5% of its shares, for 9.5% of Rosneft.⁵

The People's Bank of China raised the level of reserves that banks are required to hold by one half of a percentage point. Major Chinese banks will have to set aside 19% of their reserves and small and medium banks will have to keep 15.5% of their deposits as reserves, a record high for the country's deposit-taking institutions. This is the seventh time in the last year that the bank has used higher reserve standards to try to

pull money out of the economy and tame rising prices.⁶

QUOTE OF THE WEEK:

“All labor that uplifts humanity has dignity and importance and should be undertaken with painstaking excellence.” – Martin Luther King, Jr.

RECIPE OF THE WEEK:

Chocolate Creme with Caramelized Almonds



From: Better Homes and Gardens

End a special-occasion dinner on a memorable note by serving this rich chocolate dessert recipe.

Servings: Makes 4 to 6 servings.

Total: 15 mins

Ingredients:

- 1 cup half-and-half or light cream
- 1 4-ounce package sweet baking chocolate, coarsely chopped
- 2 teaspoons sugar
- 3 egg yolks, slightly beaten
- 1/2 teaspoon vanilla
- Caramelized Shards (optional)

Directions:

1. In a heavy small saucepan combine the half-and-half or light cream, chocolate, and sugar. Cook and stir over medium heat about 10 minutes or until mixture reaches a full boil and thickens.

2. Gradually stir about half of the hot mixture into the beaten egg yolks. Return all of the egg yolk mixture to the saucepan. Cook and stir over low heat for 2 minutes. Remove from heat; stir in vanilla. Pour chocolate mixture into 4 or 6 pots de creme cups or small dessert dishes. Cover and chill for 2 to 24 hours. If desired, top with Caramelized Shards.

Caramelized Shards:

Preheat oven to 350 degree F. Line a cookie sheet with aluminum foil; coat foil with nonstick cooking spray. Sprinkle 1 tablespoon slivered almonds onto prepared foil. Bake in preheated oven 6 to 8 minutes or until lightly toasted. Meanwhile, place 1/3 cup sugar in a heavy 10-inch skillet. Heat over medium-high heat until sugar begins to melt, shaking skillet occasionally to heat sugar evenly. Do not stir. When sugar begins to melt, reduce heat to low. Cook for 2 minutes more or until sugar is melted and lightly golden, stirring as needed with a wooden spoon. Remove pan from heat. Stir in 1/2 teaspoon hot water. Immediately pour over nuts on hot baking sheet. Let cool for 1 minute. Using 2 forks, gently pull caramel as thinly as possible, lifting up slightly as you pull. Let cool thoroughly on foil. Break into pieces; store tightly covered up to 3 days.

GOLF TIP OF THE WEEK:

In Hard-Packed Sand, Lose the SW

The modern sand wedge has a great deal of bounce (the leading edge is much higher than the bottom of the sole) built into the head of the club. This is engineered to prevent the club from digging too deeply into the sand, and to promote a bounce out of the sand. It works well. A problem arises when the sand wedge is used from thin, hard-packed sand or firm, dirt-like sand. The very aspect of the sole that prevents it from digging into soft sand now prevents it from getting under the ball on hard-pack. Bladed and thin shots result. These shots will either catch the wall of the trap or will fly low and hot over the green. Go back to the cart and get your gap, lob, or pitching wedge. Open your stance and your clubface and hit a cut shot. The percentage of success will be higher than if you try to force your sand wedge into doing something it is not designed to do.

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Stock market, also known as the NASDAQ is an American stock exchange. It is the largest electronic screen-based equity securities trading market in the United States and second-largest by the market capitalization in the world.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Google Finance is the source for any reference to the performance of an index between two specific periods.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

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¹ <http://www.marketwatch.com/story/us-stocks-start-with-mild-losses-2011-01-14>

² <http://finance.fortune.cnn.com/2011/01/14/three-signs-consumers-are-inching-back/>

³ http://www.msnbc.msn.com/id/41086473/ns/politics-the_new_york_times/

⁴ <http://www.marketwatch.com/story/us-stock-market-readies-for-earnings-blitz-2011-01-15>

⁵ <http://www.cnbc.com/id/41079318>

⁶ http://money.cnn.com/2011/01/14/news/international/china_tightening/index.htm