

STIFEL NICOLAUS

The Mark and Jason Group

Weekly Market Update

Week of December 20, 2010

THE MARKETS:

After months of speculation about the future of Bush era tax cuts, closure finally came late Thursday when the House of Representatives approved an \$858 billion tax package to extend them through 2012. The approval of the plan has been marked by an optimistic attitude in the markets and positive speculation about the future of the economic recovery. While the S&P 500 only edged up one point this week, it has gained nearly 6% since Obama agreed to compromise with Republicans on the tax plan¹, and all major indexes either closed at or touched 52-week highs at some point during the last five trading days.²

The economy is also showing signs of gaining ground, as a slew of upbeat statistics – from rising retail sales to falling unemployment claims – indicate. The economy grew at an annualized pace of 2.5% in the third quarter, and expanded growth is expected into next year. In an interview late Friday, Former Federal Reserve Chairman Alan Greenspan told Bloomberg: “The U.S. economy unquestionably has some momentum. The fourth quarter looks good. The growth rate could be 3.5 percent or more.”³ He later expressed this pick up in the economy should lead to increased hiring, and that the unemployment rate should drop next year. This would certainly be a welcome development!

It will be interesting to see what affect the new tax bill has on stock market performance in the shortened trading week ahead. Regardless of how things go, we hope you will relax and enjoy some quality time off with your family and friends.

NOTE: We will be providing more information on the new *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010* soon. Stay tuned.

ECONOMIC CALENDAR:⁴

Tuesday – Redbook

Wednesday – GDP, Corporate Profits, Existing Home Sales, EIA Petroleum Status

Thursday – Durable Goods Orders, Personal Income and Outlays, Jobless Claims, Consumer Sentiment, New Home Sales, EIA Natural Gas

Friday – U.S. Holiday: Christmas Observed

Data as of 12/17/2010	1-Week	Y-T-D	1-Year	5-Year	10-Year
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Standard & Poor's 500	0.28	11.5	13.5	-0.37	-0.52
Dow	0.72	10.2	11.5	1.13	1.01
NASDAQ	0.21	16.5	21.2	3.47	-0.04
MSCI EAFE	-0.10	2.58	4.69	-0.71	1.02
10-year Treasury Note (Yield Only)	3.30	N/A	3.49	4.45	5.18

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 largest forfeiture settlement in U.S. history has recovered about half of Bernard Madoff's stolen money. Barbara Picower returned \$7.2 billion from her deceased husband's estate. Jeffry Picower was a Florida businessman who had been the single-largest beneficiary of the fraud.⁵

Bank of America said it will not process payments intended for WikiLeaks despite threats from the group that their next large documents release will be bank information. In related news, WikiLeaks founder, Julian Assange was released on bail this week from a jail in Britain, where he is fighting extradition to Sweden over alleged sexual offenses.⁶

Americans spent \$942 million online December 17, 61% more than they spent the same day last year, thanks to the more than 1,500 online merchants who participated in Free Shipping Day.⁷

EU leaders outlined a plan for a new fund to fight future crises. Intended to take effect in 2013, the plan will replace the existing 750 billion euro (\$998.8 billion) European Financial Stability Facility (EFSF). The meeting failed to create measures to limit borrowing costs which have forced rescues of Greece and Ireland and threaten other high-debt countries on the euro-zone periphery.⁸

QUOTE OF THE WEEK:

"Keep steadily before you the fact that all true success depends at last upon yourself." – Theodore T. Hunger

RECIPE OF THE WEEK:

Candy Crunch White Bark



From: Better Homes and Gardens

Servings: 1 pound

Prep: 20 mins

Total: 20 mins

Ingredients:

1 pound vanilla-flavor candy coating, cut up

3/4 cup crushed fruit-flavor candy canes

Directions:

1. Line a baking sheet with foil; set aside. Heat candy coating in a heavy medium saucepan over low heat, stirring constantly until candy is melted and smooth. Remove from heat.

2. Stir in 1/2 cup of the crushed candy canes. Pour mixture onto the prepared baking sheet. Spread mixture to about 3/8-inch thickness. Sprinkle with the remaining crushed candies.

3. Chill candy about 30 minutes or until firm. (Or, let candy stand at room temperature for several hours until firm.) Use foil to lift firm candy from the baking sheet; carefully break candy into pieces.

Store tightly covered up to 2 weeks. Makes 1 pound.

GOLF TIP OF THE WEEK:

BALL BELOW YOUR FEET

The ball-below-your-feet on a side hill lie is the most difficult of all sloping lies. The biggest mistake made when faced with this type of shot is bending the knees too much to reach the ball. With the knees bent too far you will have the tendency to rise up as you swing through, causing you to top the ball. To correct this tendency, try these steps:

1. Keep your normal knee flex, but bend a little more from the waist.

2. Keep the back swing short - if you try to swing to your normal position there will be a tendency to rise up.
3. Take one more club (use an 8 if you normally hit a 9 from that distance)
4. Aim to the left as the ball will have a tendency to fade or go to the right (for right handed golfers).

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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 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://money.cnn.com/2010/12/17/markets/markets_newyork/index.htm

² <http://www.cnbc.com/id/40722779>

³ <http://www.bloomberg.com/news/2010-12-17/greenspan-says-u-s-economy-picking-up-may-grow-as-much-as-3-5-next-year.html>

⁴ http://online.barrons.com/public/page/barrons_econoday.html

⁵ <http://www.msnbc.msn.com/id/40716871/ns/business/>

⁶ <http://www.msnbc.msn.com/id/40728284/ns/business/>

⁷ <http://tech.fortune.cnn.com/2010/12/19/free-shipping-and-apples-ipad-help-spark-record-online-holiday-sales/>

⁸ <http://www.marketwatch.com/story/eu-leaders-offer-little-relief-from-bond-turmoil-2010-12-17>