

# STIFEL NICOLAUS

## ***The Mark and Jason Group***

### **Weekly Market Update**

*Week of December 27, 2010*

#### ***A note from us to you...***

U.S. founding father Thomas Paine wrote: “The real man smiles in trouble, gathers strength from distress, and grows brave by reflection.” As we ponder the experiences of 2010, we cannot help but see timeless value in his words.

As one year draws to a close and the next unfolds before us, we are moved to reflect on the people and experiences that brought us to this point. Such reflection is essential because it helps us to be thankful for what we have, to grow in acuity, and to make prudent plans for the future.

From our perspective, providing you with sound financial guidance is about *much* more than numbers. It is about helping you ‘smile in times of trouble and gather strength in times of distress.’ More than that, it is about helping you ‘reflect’ on your personal experiences and aspirations so you can convert those into worthwhile, pursuable goals for the future.

From the day we started working together, your goals became our goals; your trials, our trials. We consider it a privilege to serve you in this capacity, and we hope that you enjoy working with us as much as we enjoy working with you.

Thank you for all that you do. We look forward to continually growing our relationship in the years ahead!

#### **THE MARKETS:**

The final weeks of the year are traditionally light for the markets and 2010 is no exception so far. Thursday closed the week on a quiet note as the Dow rose a stingy 0.1%, and the three major indexes only moved about 1% higher for the week.<sup>1</sup> Leading up to the Christmas holiday, it seems that both stocks and traders slipped quietly into vacation.

While gains have been modest in recent weeks, stocks are still on track to post double-digit increases for the year. And with good news surrounding consumer spending and consumer sentiment, the economy appears to have earned a break. The Commerce

Department said spending rose 0.4% in November, slightly higher than economists had predicted, and experts calculate that the 2% cut in employee's 2011 payroll taxes may fuel further spending in the year ahead. Interestingly, even if spending doesn't increase at all in December, it is on track to grow at an inflation-adjusted 4% annual rate in the fourth quarter, which would mark its fastest pace since 2006.

Obviously there are still a number of hurdles for the economy to overcome. Despite a recent increase in new home sales, we are still contending with a depressed housing market that could further damage household finances, prompting people to cut back spending.<sup>2</sup> And at more than \$91 a barrel, recent price hikes have earned oil a lump of coal in its stocking too. With oil prices at their highest levels in over two years and gasoline selling for an average \$3.01 per gallon, this has the potential to squeeze a few pocketbooks.<sup>3</sup>

Still, most of the economic news arrives just in time to offer fresh hope for the new year. Morgan Stanley economists boosted their fourth quarter GDP forecast to 4.5%,<sup>4</sup> supported by the Commerce Department's report that total orders for durable goods, excluding transportation, rose 2.4%, the best performance since last March.<sup>5</sup> This increase in production bodes well for employment, where the recent drop in initial unemployment claims<sup>6</sup> offers an additional glimmer of hope.

All in all, the year has ended more positively than it began. Stay tuned for our 2010 recap due in the week ahead. See you next year!

**ECONOMIC CALENDAR:**

**Tuesday** – Redbook, S&P Case-Shiller HPI, Consumer Confidence

**Wednesday** – EIA Petroleum Status Report

**Thursday** – Jobless Claims, Chicago PMI, Pending Home Sales Index, EIA Natural Gas, Farm Prices, Fed Balance Sheet, Money Supply

**Friday** – U.S. Holiday: New Year's Day Observed

<b>Data as of 12/23/2010</b>	<b>1-Week</b>	<b>Y-T-D</b>	<b>1-Year</b>	<b>5-Year</b>	<b>10-Year</b>
<b>Standard &amp; Poor's 500</b>	1.12	12.7	12.2	-0.19	-0.38
<b>Dow</b>	0.65	10.9	10.6	1.27	0.88
<b>NASDAQ</b>	1.07	17.5	17.5	3.70	0.59
<b>MSCI EAFE</b>	0.65	4.20	4.61	-0.49	1.29
<b>10-year Treasury Note (Yield Only)</b>	3.48	N/A	3.75	4.38	5.00

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:

**China's central bank has raised its interest rate** for the second time in just over two months as the nation fights to keep inflation in check.<sup>7</sup>

**The gap between the rich and the middle class is larger than it has ever been** due to the bursting of the housing bubble. The richest 1% of U.S. households had a net worth 225 times greater than that of the average American household in 2009, according to analysis conducted by the Economic Policy Institute, a liberal think tank. That's up from the previous record of 190 times greater, which was set in 2004.<sup>8</sup>

**The number of food stamp recipients increased 16% over last year.** This means that 14% of the population is now living on food stamps. That's about 43 million people, or about one out of every seven Americans.<sup>9</sup>

**Taxpayers who claim deductions for home-mortgage interest, gifts to charity and state and local taxes will have to wait** until middle to late February to file their 2010 returns. The Internal Revenue Service attributed the late start of the filing season to changes in tax law for 2010 that were finished last week. The agency needs extra time to put processing systems in place, the IRS said Thursday.<sup>10</sup>

## QUOTE OF THE WEEK:

“The greater danger for most of us lies not in setting our aim too high and falling short; but in setting our aim too low, and achieving our mark.” – Michelangelo

## RECIPE OF THE WEEK:

### Succulent Fruit Spread



From: Better Homes and Gardens

**Servings:** Makes 14 to 16 servings.

**Prep:** 20 mins

**Total:** 40 mins

**Ingredients:**

1 8-ounce container mascarpone cheese  
2 ounces prosciutto, finely chopped (1/2 cup)  
1/4 cup finely chopped dried apricots and/or figs  
1/4 cup finely chopped walnuts  
1 3-ounce package cream cheese, softened  
Fresh herb sprigs (optional)  
Blood orange, kumquat, or orange wedges (optional)  
Cantaloupe wedges, fresh strawberries, or other fresh fruit  
Crackers

**Directions**

1. Combine mascarpone cheese, prosciutto, apricots and/or figs, and nuts in a medium mixing bowl. Line a small bowl (1-1/2-cups capacity) or crock with plastic wrap. Pack cheese mixture into the lined container. Cover and chill for 2 to 4 hours.
2. To unmold, remove covering from bowl or crock, place a serving plate upside down over the bowl or crock, and invert. Lift off bowl or crock, and remove plastic wrap. Spread cream cheese over molded spread. Allow to stand at room temperature for 20 to 30 minutes before serving. Garnish with herbs and blood orange, kumquat, or orange wedges, if desired. Serve with fresh fruit and crackers. Makes 14 to 16 servings.

**GOLF TIP OF THE WEEK:****PRACTICE THE RIGHT WAY**

Comparatively few golfers know how to practice the right way. Like a round of golf itself, practice sessions should be properly planned and organized. In competitive play, accuracy rather than distance is of paramount importance. The golfer will do well to remember this when he works on his shots, whether he is practicing on a driving range or on a practice fairway at his club.

Never practice without a target. You must give yourself some sort of standard by which to judge the success of your efforts. Try visualizing an average fairway in your mind and work to confine your shots to that limited area. Most fairways are at least 40 yards wide, so pick out a tree or some other marker and establish a 20-yard tolerance on either side of the target.

***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 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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<sup>1</sup> [http://money.cnn.com/2010/12/23/markets/markets\\_newyork/index.htm](http://money.cnn.com/2010/12/23/markets/markets_newyork/index.htm)

<sup>2</sup> <http://topics.wsj.com/article/SB20001424052748704278404576037333422959892.html>

<sup>3</sup> [http://www.msnbc.msn.com/id/40794976/ns/business-stocks\\_and\\_economy/](http://www.msnbc.msn.com/id/40794976/ns/business-stocks_and_economy/)

<sup>4</sup> <http://topics.wsj.com/article/SB20001424052748704278404576037333422959892.html>

<sup>5</sup> [http://www.msnbc.msn.com/id/40792417/ns/business-eye\\_on\\_the\\_economy/](http://www.msnbc.msn.com/id/40792417/ns/business-eye_on_the_economy/)

<sup>6</sup> [http://money.cnn.com/2010/12/23/news/economy/initial\\_claims/index.htm](http://money.cnn.com/2010/12/23/news/economy/initial_claims/index.htm)

<sup>7</sup> [http://money.cnn.com/2010/12/26/news/international/china\\_rate\\_hike/index.htm](http://money.cnn.com/2010/12/26/news/international/china_rate_hike/index.htm)

<sup>8</sup> [http://money.cnn.com/2010/12/23/pf/rich\\_wealth\\_gap/index.htm](http://money.cnn.com/2010/12/23/pf/rich_wealth_gap/index.htm)

<sup>9</sup> [http://money.cnn.com/2010/12/21/news/economy/food\\_stamps/index.htm](http://money.cnn.com/2010/12/21/news/economy/food_stamps/index.htm)

<sup>10</sup> <http://www.bloomberg.com/news/2010-12-23/irs-delays-filing-season-by-a-month-for-taxpayers-with-itemized-deductions.html>