



**Professional Planning
Group**

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Market Week: January 25, 2010

Hi Everyone:

Last week proved to be volatile for markets. I actually expect this to be the norm for the foreseeable future until financial stability returns to banks and the fed. Experts are split on when inflation will become a serious problem.

In anticipation it's a good time to evaluate portfolio diversification. Now is a good time to evaluate cash needs, as well.

Best Regards,
Tom

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The Markets

What goes up must come down: Last week wasn't nearly as bad as the panicky days of last March, but it wasn't good. After domestic stocks hit levels not seen since early October 2008, back-to-back-to-back triple-digit declines more than erased all of the new year's gains. Small caps suffered the least, while the Dow lost 552 points--5.1%--between Tuesday's and Friday's closing bells. Treasury yields fell as investors continued to seek refuge in bonds.

Market/Index	2009 Close	Prior Week	As of 22/10	Week Change	YTD Change
DJIA	10428.05	10609.65	10172.98	-4.12%	-2.45%
NASDAQ	2269.15	2287.99	2205.29	-3.61%	-2.81%
S&P 500	1115.10	1136.03	1091.76	-3.90%	-2.09%
Russell 2000	625.39	637.96	617.12	-3.27%	-1.32%
Global Dow	1984.48	2019.33	1932.27	-4.31%	-2.63%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.85%	3.68%	3.60%	-8 bps	-25 bps

Last Week's Headlines

- Only 553,800 housing units were started in 2009--a record low, and 38.8% below the year before. December's 557,000 housing starts fell 4% from November, though they're up 0.2% from December 2008. However, building permits for single-family homes rose 8.3% in December compared to the month before, and the number of overall building permits was up 10.9%--the highest level in more than a year.
- Rising food prices helped push inflation at the wholesale level up by 0.2% in December. However, excluding food and energy, wholesale inflation remained stable.
- The Conference Board's index of leading economic indicators rose for the ninth month in a row in December, when the index increased by 1.1%. Eight of the ten indicators were up, while factory workweeks and consumer goods orders were flat.
- President Obama proposed new measures designed to rein in "too big to fail" banks. The proposals would bar banks that accept customer deposits from proprietary trading--operating or investing in higher-risk ventures such as hedge funds and private equity for its own benefit. The proposal also would limit the size of these banks. They currently cannot hold more than 10% of the nation's insured deposits; the revised formula would include non-insured deposits and other assets in that 10% cap.
- The legislative math for issues such as health-care reform and increased regulation of financial institutions was rewritten with the election of Scott Brown in Massachusetts. His campaign for the seat formerly held by Ted Kennedy highlighted his desire to be the 41st Senate vote against the pending health-care bill.
- Investors reacted to reports that Chinese officials have taken steps to rein in bank lending there, fearing that the economy would overheat and bring about inflation if the recent rapid pace of credit issuance continued.

Eye on the Week Ahead

Though the Federal Reserve's target interest rate is not expected to change, Wednesday's announcement will be carefully watched--especially since some senators want to make it Chairman Ben Bernanke's last (his term is scheduled to expire Sunday). The Treasury will auction another \$118 billion in notes. Finally, investors will be watching Friday to see if 2009's final three months saw economic growth for the second consecutive quarter.

Key data releases: Home resales (1/25); home prices, consumer confidence (1/26); new home sales, FOMC meeting (1/27); durable goods orders (1/28); preliminary Q4 2009 GDP, labor costs, consumer sentiment (1/29).

Data source: Includes data provided by Brounes & Associates. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indexes listed are unmanaged and are not available for direct investment.



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