



# Market Week: May 14, 2012

## The Markets

Once again, problems in Greece meant problems for equities. For a change, the small-cap Russell 2000 and the Nasdaq suffered the least, though both have now lost more than 6% since their late March high. Uncertainty about the future of the eurozone's financial compact helped push the yield on the 10-year U.S. Treasury note to levels last seen in January. Meanwhile, oil prices continued to sink toward \$95 a barrel, while gold plunged below \$1,600 an ounce.

Market/Index	2011 Close	Prior Week	As of 5/11	Week Change	YTD Change
<b>DJIA</b>	12217.56	13038.27	12820.60	-1.67%	4.94%
<b>Nasdaq</b>	2605.15	2956.34	2933.62	-.77%	12.61%
<b>S&amp;P 500</b>	1257.60	1369.10	1353.39	-1.15%	7.62%
<b>Russell 2000</b>	740.92	791.84	790.06	-.22%	6.63%
<b>Global Dow</b>	1801.60	1893.39	1853.93	-2.08%	2.90%
<b>Fed. Funds</b>	.25%	.25%	.25%	0 bps	0 bps
<b>10-year Treasuries</b>	1.89%	1.91%	1.84%	-7 bps	-5 bps

Equities data reflect price changes, not total return.

## Last Week's Headlines

- Neither far-right nor far-left parties, who gained power in Greece's recent elections because of opposition to austerity measures imposed by the country's European partners, were able to form a coalition government. As a result, the eurozone's bailout fund held back €1 billion of an aid package due last Thursday, though it agreed to pay out €4.2 billion so Greece could meet immediate obligations. The situation increased uncertainty about Greece's future in the eurozone if no coalition government is formed or if a new government rejects budget cuts needed to meet eurozone guidelines.
- Bankia, which is one of Spain's largest banks and has suffered from bad loans made to real estate developers, will receive a bailout from the Spanish government, much as banks in the United States did during the 2008 financial crisis. The government said it will take a 45% stake in the bank as part of its efforts to overhaul the country's overall banking system.
- The Federal Reserve said use of consumer credit increased 7.75% in the first quarter of the year. Almost all of the increase came in nonrevolving debt such as loans for autos, education, boats, and mobile homes.
- Wholesale prices fell 0.2% in April, marking the seventh straight month in which price increases have slowed. The Bureau of Labor Statistics said that put the year-over-year wholesale inflation rate at 1.9%.
- Strong U.S. exports in March couldn't keep up with higher oil costs and imports of Chinese goods, according to the Bureau of Economic Analysis. As a result, the trade deficit saw a dramatic 14.1% increase in March as exports rose nearly 3% while imports were up more than 5%.
- The Treasury Department said a combination of higher tax receipts and less spending on Medicare, education, and defense led to the federal government's first monthly budget surplus since September 2008. Nevertheless, the Treasury still projects an annual deficit this fiscal year of more than \$1 trillion.

- J.P. Morgan Chase announced that trading in credit derivatives that were intended to hedge the bank's investment risk had cost it roughly \$2 billion in paper losses.

## Eye on the Week Ahead

Greece's struggles to form a government will continue to command attention; a new election will be scheduled for June if no agreement is reached. Also on tap is a scheduled Tuesday meeting between newly elected French President François Hollande and German Chancellor Angela Merkel. European growth data is due Tuesday, while manufacturing and retail sales data throughout the week will suggest the state of the U.S. economy.

Key dates and data releases: consumer inflation, retail sales, international capital flows, business inventories, Empire State manufacturing survey (5/15); Federal Open Market Committee minutes, housing starts, industrial production (5/16); Philadelphia Fed manufacturing survey (5/17); options expiration (5/18).

*Data sources: 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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