

The top news from last week included China's economic growth rising to 7.9% in the fourth quarter and US housing and weekly jobless reports improving, with both cresting multiyear thresholds, and inflation remaining contained. The eurozone remained the weak link, with Germany's economy contracting in the fourth quarter and the region's overall industrial output contracting in November. Corporations have maintained profitability, according to early quarterly earnings reports. Overall, 71% of the first 52 Standard & Poor's 500 Stock Index companies beat expectations. However, quarterly profits are growing only an estimated 2.5%, the second-slowest pace since 2009. For the week, global stock indices rose modestly but broadly. The Dow Jones Industrial Average and S&P 500 had their third-straight week of gains. Amid this environment the DJIA was up 1.2%, the S&P 500 was up 1.0%, the Russell 2000 was up 1.4%, the Global Dow Ex-US was up 0.1% and crude oil rose 2.1%.

As mentioned, Chinese gross domestic product expanded by 7.9% year over year in the fourth quarter, confirming reports in recent months that the world's second-largest economy's rate of growth is accelerating. China's easing growth — 7.4% in the third quarter — had been a growing concern. The pickup in activity came in response to increased Chinese government spending on infrastructure projects and the central bank's loosening of liquidity halfway through 2012. Homebuilder sentiment rose to its highest level since April 2006, as gauged by the NAHB/Wells Fargo Housing Market Index. December housing starts rose 12.1%, according to the US Department of Commerce. Fewer US workers applied for initial unemployment insurance benefits in the week ended January 12th than for any week since January 19, 2008. US inflation remains under control, with year over year CPI up 1.7% and core prices up 1.9%. US consumer confidence, as measured by the Thomson Reuters/University of Michigan index of consumer sentiment, fell to a one-year low in January. The German economy contracted in the fourth quarter of 2012, according to an official estimate from the country's statistical office. For all of 2012, German GDP grew 0.7%, after adjusting for inflation, and exports rose 4.1%, while a record-high 41.6 million were employed. Eurozone industrial output fell in November at its sharpest rate in three years, shrinking 3.7% from a year earlier, reported Eurostat, the official European statistical office. Economists expect Japan's recession to be brief, particularly with the Japanese government having already introduced a ¥10.3 trillion (\$116 billion) stimulus package, which could lead to 3.5% annualized growth in the second quarter of 2013, according to Nomura Securities.

MARKET BAROMETERS

Stocks				Bonds			
	<u>Level</u>	<u>Δ Week (%)</u>	<u>Δ YTD (%)</u>		<u>Yield</u>	<u>Δ Week (%)</u>	<u>Δ YTD (%)</u>
S&P 500	1486	0.96	4.28	Barclays Aggregate	2.54	-0.31	-0.80
DJIA	13650	1.20	4.16	Municipal Bond	2.84	0.25	0.70
International	1654	-0.60	3.20	High Yield	6.64	0.29	1.52
Emerging Markets	1081	0.72	2.44	10 Yr UST	1.87	0.25	-0.69
US Small Cap	893	1.37	5.14	2 Yr UST	0.25	0.00	0.00
Commodities				Currencies			
	<u>Level</u>	<u>Δ Week (%)</u>	<u>Δ YTD (%)</u>		<u>Level</u>	<u>Δ Week (%)</u>	<u>Δ YTD (%)</u>
DJ UBS Commodity	447	2.18	1.89	US (TWD)	80.03	0.59	0.33
Oil	95.56	2.14	4.07	Euro (\$€)	1.33	-0.19	0.93
Natural Gas	3.51	9.60	2.97	Yen (¥\$)	89.95	-0.98	-3.68
Gold	1687	1.87	1.87	Pound (\$£)	1.59	-1.64	-2.37
Copper	3.66	0.66	0.62				