

NIXON PEABODY FINANCIAL ADVISORS LLC

A Registered Investment Advisory Firm

Weekly Economic & Market Overview

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Economic News

The University of Michigan announced that its measure of consumer confidence increased to a consensus-beating 60.1 in December, an improvement over November's 55.3 reading.

Today, the Conference Board's consumer confidence index was released. It showed a record low level of 38.

Existing home sales fell a worse than expected 13% during November. Sales were weakest in the Midwest and South (both down 20%).

New home sales fell 2.9% during November to an annualized rate of 407,000 homes, the lowest rate since January 1991. In percentage terms, sales were strongest in the Northeast (up 14%), while new home sales were weakest in the Midwest (down 16%). The median home price fell 11.5% year-over-year to \$220,400.

Personal income declined 0.2% and personal spending fell 0.6% during November. The savings rate expanded to 2.8%. Over the past year, income has risen 2.5% and spending has increased 0.5%.

Weekly initial jobless claims rose 30,000 to 586,000 over the past week. This is the highest number since November 1982. The four week moving average was 558,000, its highest since December 1982.

Third quarter final GDP remained unchanged at an annualized rate of -0.5%.

Durable goods orders fell in November. Orders dropped 1.0%, better than the expected drop of 3%. Transportation orders were down while defense orders rose. Durable goods orders are off nearly 18% from last year's level.

The Bond Market

With the exception of the one year Treasury note, Treasury note yields rose a bit last week. The one-month and three-month treasury bills ended last week yielding 0.04%.

The five and ten year USTN ended last week yielding 1.51% and 2.13%, respectively.

The Stock Market

Stocks fell last week. Large cap domestic stocks outperformed small and mid caps. The S&P 100 and S&P 500 showed losses of 0.2% and 0.3%. The Russell 2000 Index fell close to 2% and the NASDAQ 1.4%. The MSCI EAFE Index showed a solid gain of 1.9%, while Emerging Markets fell 1.7%.

Energy led all sectors with the S&P 500 Energy sector rising 3.6%. In a complete reversal from the prior week, oil gained back 27% during the week.

Year-to-date, the sectors that we expected would hold up best have done so. Consumer Staples (-19.5%), Health Care (-26.8%), and Utilities (-33.8%) are showing the strongest relative returns. The more economically sensitive sectors including Financials (-59.8%), Materials (-49.2%), Information Technology (-45.4%), and Industrials (-44.3%) have underperformed the S&P 500 Index.