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 61.2 in January, a small improvement over December's 60.1 reading.

The Conference Board's consumer confidence index dipped marginally in January from December to the 37.7 level.

As expected the Federal Open Market Committee left the federal funds rate unchanged at the 0% to .25% level. In its statement it said that the committee "anticipates that a gradual recovery in economic activity will begin later this year, but the downside risks to that outlook are significant".

New home sales fell nearly 15% during December with all regions showing declines. In percentage terms, sales were weakest in the Northeast (down 28%) and West (down 20%).

The employment cost index rose 0.5% during the fourth quarter. Over the past year, costs have risen 2.6%.

Weekly initial jobless claims rose 3,000 to 588,000 over the past week. The four week moving average was 542,500.

Preliminary fourth quarter GDP growth estimate showed an annualized drop in GDP of 3.8%. While this number was better than the expected annualized contraction of 5.5%, analysts believe an expansion in inventories minimized the rate of decline.

Durable goods orders fell 2.5% in December. Excluding transportation orders (up 0.6%), orders dropped 3.6%. Defense orders were strong, up 32.9%.

ISM's Manufacturing Report showed continued contraction in the economy. The index rose to 35.6 in January from December's 32.9. The index has been below 50 for the last year.

Personal income fell less than expected (down 0.2%) in January, while personal spending fell worse than expected (down 1%).

The Bond Market

Treasury note yields rose last week despite mounting evidence of continued economic weakness. However, the Treasury's auction of over $130 billion in new securities was likely to push rates higher.

The five and ten year USTN ended last week yielding 1.87% and 2.84%, respectively. With the exception of eight year paper, gross yields on municipal bonds exceed the gross yields on treasuries.

The Stock Market

January turned out to be one for the record books as the DOW posted its worst January in its history (down 8.8%). Two indices showed marginal gains last week: MSCI Emerging Markets and the NASDAQ. Large cap domestic stocks showed losses in the 1% range as measured by the S&P 500 and S&P 100. The Russell 2000 Index was nearly flat while the MSCI EAFE Index and DOW fared worst with losses for the week of 1.9% and 2.2%, respectively.

Financial stocks showed the best gains, after suffering significant losses during the prior week. Healthcare and Information Technology showed notable strength during the week.

Year-to-date, healthcare and utilities are holding up best with year to date losses of less than a percent.