



Market Commentary

The price action and volatility experienced during December very much mirrored the price action and volatility experienced throughout the year. A constant flow of European headlines along with a stream of improving economic data in the U.S. helped the major markets continue their fourth-quarter rally. Despite low volume for most of the month, the positive news of another European plan called LTRO or “Long-Term Refinancing Operations” (big banks can borrow 1% for three-years from the European Central Bank and invest in sovereign debt at 6-7% with no reserve requirements, effectively flooding the market with cheap money) and the negative news of the ECB’s balance sheet soaring to a record \$3.55 trillion tempered expectations for the seasonal “Santa Claus” rally. Most investors are looking at the U.S. and China for leadership and economic growth into 2012, but they will also be looking at the Eurozone for political stability. Uncertainty will pit equity valuations against fiscal and monetary policies. Even though large-cap, dividend paying, U.S. companies outperformed in December and in 2011, further investor participation and real growth in other economic sectors are needed to sustain a broader rally into next year.

For the month of December, the S&P 500 index finished up 1.02%, the Dow Jones Industrial Average rose 1.58%, while the Nasdaq closed down 0.51%. International markets finished the month lower: the MSCI EAFE index fell 0.93% and the MSCI Emerging Market index was down 1.20%. Telecommunications and Utilities were the best performing sectors, while Materials and Energy lagged as commodities fell on the back of a higher U.S. dollar and concerns over global demand. Oil fell 1.52% and gold dropped sharply to its first quarterly decline since 2008, down \$178 or 10.24%. On the fixed income side, Treasury and municipal bond prices improved as investors continue to flee European debt in favor of security: the 10-year U.S. Treasury yield finished 2011 at 1.88%, down 19 bps on the month.

For the Period Ending December 31, 2011					
Index	Price	Month (%)	Quarter (%)	Year to Date (%)	Trailing 1 Year (%)
Dow Jones Industrial Average	12,217.56	1.58	12.77	8.38	8.38
Barclays Capital Aggregate	1,769.79	1.10	1.12	7.84	7.84
S&P 500 Total Return	1,257.60	1.02	11.82	2.11	2.11
Russell 1000	693.36	0.84	11.87	1.53	1.53
Russell 3000	742.58	0.82	12.12	1.03	1.03
Nasdaq Composite Total Return	2,605.15	-0.51	8.21	-0.79	-0.79
MSCI EAFE	1,412.55	-0.93	3.40	-11.67	-11.67

Source: Bloomberg