

The Capital Markets

Despite positive economic reports during the month, global equities were weak. A feeling that the markets had come too far too fast emerged as various challenges surfaced. These included:

- anti Wall Street rhetoric from President Obama
- lending restrictions in China to slow an overheating economy
- economic challenges in various European countries - most particularly in Greece

The S&P 500 Index was down 3.6% for the month.

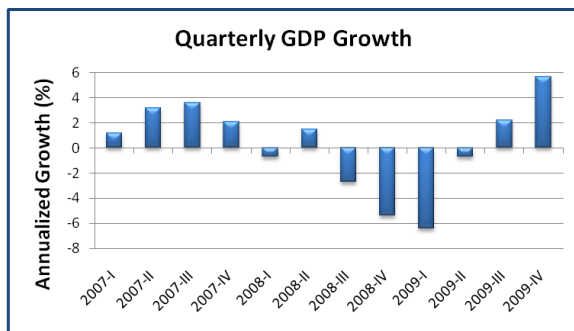
International equity returns were much in-line with those in the United States. The MSCI EAFE Developed Markets Index was off 4.4%. Emerging markets fared slightly worse as investors sought to dial back risk exposures within portfolios. The MSCI Emerging Markets Index lost 5.6% for the month.

In the fixed income market, the Barclays US Aggregate Index was up 1.5% for the month and the 10-year U.S. Treasury bond ended the month with a yield of 3.59%, a decline of 25bps for the period.

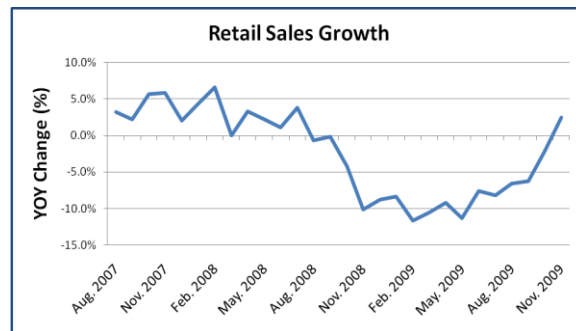
January's Economic Releases

<u>General</u>	<u>Prior</u>	<u>Current</u>
GDP	2.2% (Q3)	5.7% (Q4)
Leading Economic Index	1.0% (Nov)	1.1% (Dec)
Trade Balance	-\$33.2 B (Oct)	-\$36.4 B (Nov)

<u>Employment</u>	<u>Prior</u>	<u>Current</u>
Initial Jobless Claims	478,000	470,000
Continuing Claims	4.7 MM	4.6 MM
Nonfarm Payrolls	4,000 (Nov)	-85,000 (Dec)
Unemployment Rate	10.0% (Nov)	10.0% (Dec)
Average Weekly Hours	33.2 (Nov)	33.2 (Dec)



Data Source: U.S. Bureau of Economic Analysis



Data Source: U.S. Census Bureau

<u>Consumer</u>	<u>Prior</u>	<u>Current</u>
Cons. Confidence Index (Conf. Board)	53.6 (Dec)	55.9 (Jan)
Cons. Sentiment Index (U. of Michigan)	72.8 (Dec)	74.4 (Jan)
Retail Sales (YoY)	-2.2% (Oct)	2.5% (Nov)
Consumer credit	-\$4.2 B (Oct)	-\$17.5 B (Nov)



<u>Manufacturing & Service</u>	<u>Prior</u>	<u>Current</u>
ISM Manufacturing Index	53.6 (Nov)	55.9 (Dec)
ISM Non-manufacturing Index	48.7 (Nov)	50.1 (Dec)
Durable Goods Orders	-0.4% (Nov)	0.3% (Dec)
Industrial production	0.6% (Nov)	0.6% (Dec)
Capacity utilization	71.5% (Nov)	72.0% (Dec)

<u>Real Estate</u>	<u>Prior</u>	<u>Current</u>
New Home Sales	370,000 (Nov)	342,000 (Dec)
Existing Home Sales	6.54 MM (Nov)	5.45 MM (Dec)
Housing starts	580,000 (Nov)	557,000 (Dec)
Case-Shiller Home Price Index (YOY)	-7.3% (Oct)	-5.3% (Nov)

<u>Inflation</u>	<u>Prior</u>	<u>Current</u>
Consumer Price Index (YoY)	1.8% (Nov)	2.7% (Dec)
CPI ex food/energy	1.7% (Nov)	1.8% (Dec)
Producer Price Index (YoY)	2.4% (Nov)	4.4% (Dec)
PPI ex food/energy	1.2% (Nov)	0.9% (Dec)

<u>Closing Levels</u>			
S&P 500 Index	1,074	Gold	\$1,082/oz
10-Year Treasury Yield	3.59%	Oil	\$72.72/bl

In the early days of the recovery, investors were heartened by bad news becoming less bad. Earnings expectations were conservative and hopes for economic advancement were modest. Memories are short. For many, the darkest days of economic crisis appear less ominous in the rear view mirror. The collective outlooks for corporate profitability and economic performance have now risen to harder to achieve levels. Concurrently, on a global basis, investors are the most bullish they have been since before the credit crisis. Fund managers have increased their allocations to equities and are now sitting on the lowest levels of cash balances since mid 2007. Additionally, while we are encouraged by progress in many of the statistics shown in this report, concerns remain regarding the sustainability of positive economic trends in light of diminishing stimulus measures.

Disclaimers

This market commentary was produced by Summit Financial Resources, Inc. 4 Campus Drive, Parsippany, NJ 07054. Tel. 973-285-3600, Fax: 973-285-3666. Sources of Performance and Economic Statistics: Morningstar® and Bloomberg. Indices are unmanaged and cannot be invested into directly. The investment and market data contained in this newsletter is not an offer to sell or purchase any security or commodity. Standard & Poor's 500 Index (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The MSCI Developed Markets and Emerging Markets Indexes were created by Morgan Stanley Capital International (MSCI) and designed to measure equity market performance in global developed and emerging markets, respectively. Past performance does not guarantee future results. Information throughout this Newsletter, whether stock quotes, charts, articles, or any other statement or statements regarding markets or other financial information, are obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Neither we nor our information providers shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or for any delay or interruption in the transmission thereof to the reader. Opinions expressed are subject to change without notice and are not intended as investment advice or a guarantee of future performance. Consult your financial professional before making any investment decision.

