

FinSer

Weekly Financial Focus

Feb. 13 - 17, 2012

Last Week! Stocks and yields drifted higher during the early part of the week in cautious optimistic trading. The early-week theme was that the Greeks were getting close to a debt deal with bondholders and a political agreement on austerity measures to propose to European Union and IMF officials in order to get their second bailout. Treasury yields drifted higher in concession to new issue Treasury supply, competition from a heavy corporate bond calendar, and a diminished need for safe haven securities. That need diminished more on Thursday when the Greek political parties announced an agreement on further austerity measures and US jobless claims surprisingly declined. The four-week moving average of initial jobless claims continued its descending trend and stood at its lowest level since April 2008. Strength in this series of data tended to validate the healthy January employment report from the week before. Testifying before the Senate Budget Committee, Fed Chairman Bernanke, however, said that the employment outlook was weaker than the headline data suggested. Stocks took this as an indication that the Fed may embark on additional quantitative easing at some point. Friday, the news turned. The European Union rebuffed the Greek proposal, saying it was not enough and wanted a stronger austerity program passed by the Greek Parliament as to make it binding on whatever party was ruling after upcoming elections. With the situation in Greece less stable than perceived 24 hours previous, Treasury prices rallied and market rates slumped. Even after the late-week zigging and zagging, stocks and bonds were not significantly changed on a weekly basis. Treasury yields were 2 to 4 basis points higher and stocks suffered marginal losses for the week. Even though the declines for the equity benchmarks were relatively small (Dow, -0.47%; S&P, -0.17%; and the Nasdaq, -0.06%), it marked the first weekly loss for the S&P and the Nasdaq in 2012. Other markets also ended the week little changed. The dollar ended mixed; higher versus the yen, but lower against the euro. Commodities also posted a mixed week, with most commodities ending lower on concerns about global growth, with the exception of crude oil and oil derivatives. The energy complex ended higher on the return of cold weather.

This Week! As we write this on Friday afternoon the Greek situation is questionable and highly uncertain. The Greek parliament needs to pass additional austerity measures over the weekend to receive additional bailout funds, but opposition to those measures appear to be on the rise. Whatever the outcome will surely dominate trading and investor sentiment during the first part of the week. The economic calendar is busy this week and will cover regional and national manufacturing and inflation, but the highlighted data point will likely be Tuesday's retail sales. Also garnering attention will be the release of the January 24th-25th FOMC meeting. The policy statement and the Chairman Bernanke's follow-up press conference had an aggressively dovish slant. Analysts will be closely perusing the document for hints as to why the majority of Committee officials' economic views are incongruent with recent data reflecting an improvement in economic momentum. They will also be trying to decipher whether QE3 is a done deal, even as officials won't explicitly say so.

Tuesday	NFIB Small Business Optimism Retail Sales Import/Export Price Indices Business Inventories
Wednesday	NY Fed Empire State Manufacturing Index Industrial Production/Capacity Utilization NAHB Housing Market Index Minutes of Jan. 25 th FOMC Meeting
Thursday	Weekly Jobless Claims PPI Housing Starts Philadelphia Fed Index
Friday	CPI Leading Economic Indicators

Market Rates / Levels

GENERAL	Feb. 3, 2012	6 Months Prior	12 Months Prior
FED FUNDS	0 to 0.25%	0 to 0.25%	0 to 0.25%
PRIME	3.25%	3.25%	3.25%
1 MONTH LIBOR	0.25050%	0.20833%	0.26575%
DOW INDUSTRIAL	12801.23	11269.02	12273.26
S&P 500	1342.64	1178.80	1329.15
NASDAQ 100	2547.32	2182.05	2379.15
CRB	312.14	326.53	337.90
YEN	77.63	76.83	83.43
EURO	1.3172	1.4250	1.3547
GOLD	1719.80	1745.45	1357.00
WEST TEXAS CRUDE	98.67	85.38	85.58

TREASURIES	Yield	Yield	Yield
3 MONTH	0.08	0.01	0.11
6 MONTH	0.11	0.06	0.15
1 YEAR	0.14	0.09	0.28
2 YEAR	0.27	0.17	0.83
5 YEAR	0.81	0.94	2.35
10 YEAR	1.97	2.23	3.63
30 YEAR	3.12	3.71	4.69

Data Source: Bloomberg Financial Markets