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MARK LUSCHINI

MLUSCHINI@JANNEY.COM

JOSEPH G. WITTHOHN, CFA

JWITTHOHN@JANNEY.COM

GREG DRAHUSCHAK

GDRAHUSCHAK@JANNEY.COM

BRAD DURKO

BDURKO@JANNEY.COM**A GOOD START**

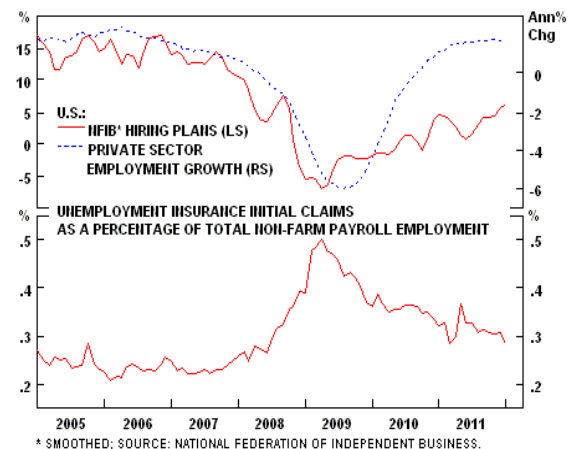
To paraphrase stock market lore – as the first five days go, so goes the year. While not an infallible strategy, it has proved to be a fairly accurate indicator. Since 1950, the direction of the market over just that brief handful of days portended the entire year's outcome almost 90% of the time. So what's in store for 2012? If market history holds to form, there is a very good chance for a positive year. The Dow Jones Industrial Average advanced 143 points, or 1.3%, to finish at 12,360. A continuation of the slightly better tone to domestic economic data, and the absence of any bad news from Europe, combined to entice buyers back to risk assets in the holiday-shortened week.

INDEX	WTD	YTD	1-YR
DOW JONES	1.3	1.3	8.5
S&P 500	1.7	1.7	2.4
S&P 400	1.4	1.4	-1.0
RUSSELL 2000	1.2	1.2	-4.0
MSCI EAFE	-0.4	-0.4	-11.5
MSCI EM	1.2	1.2	-17.7
TYPE	YIELD	12/11	12/10
3-MO TREASURY	0.01	0.01	0.12
2-YR TREASURY	0.26	0.24	0.59
10-YR TREASURY	1.96	1.88	3.29
30-YR TREASURY	3.02	2.89	4.33

SOURCE: BLOOMBERG AS OF 1/6/2012

Friday's employment report was closely watched, as a positive reading could provide further evidence of a gradual strengthening in U.S. economic conditions. We have stated many times before that the key to a self-sustaining expansion (one that can withstand the withdrawal of the Federal Reserve's hyper-accommodative monetary policy) is job creation. While the announcement of 200,000 new jobs in December was good at face value, it was subject to some challenge due to the composition of the hires. Still, directionally at least, it affirms the recent trend of rising employment. Nicely accompanying the data was an uptick in the average hourly work week and wages. Both are a good sign of firming employment and are feedstock for consumer spending.

The unemployment rate now stands at 8.5%, the lowest level in almost three years. The sequential improvement in weekly jobless claim figures that is being reinforced with a declining unemployment rate gives support to our prognosis that the U.S. economy is moving toward a more solid foundation. An improving labor market is also the key to stabilizing the beleaguered housing market, an important step in helping to restore consumer confidence and household net worth. While there are still enough headwinds to keep overall growth lackluster, a stronger base will better insulate the U.S. from weakening conditions in Europe and higher oil prices, which have moved somewhat silently above \$100/barrel. In this environment, our theme of income-producing investments; be they dividend-paying stocks or credit bonds, such as corporate and municipal securities, remains intact.



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