

MONTHLY EconUpdate

DECEMBER 5, 2011

Provided By:

Homer Braden
Legacy Investments & Insurance Services Inc
119 Wilburn Rd, Suite 100
Sun Prairie, WI 53590
www.legacy-investments.com
608.327.4075
WI Insurance License #2398325

first allied

Member FINRA/SIPC

AN ADVANCED EQUITIES COMPANY

Securities and advisory services offered through First Allied Securities, Inc., A Registered Broker/Dealer. Member: FINRA/SIPC.

All third party materials are the responsibility of their respective authors, creators, and/or owners. First Allied Securities, Inc. is not responsible for third party materials, and the information reflects the opinion of its authors, creators, and/or owners at the time of its issuance, which opinions and information are subject to change at any time without notice and without obligation of notification.

These materials were obtained from sources believed to be reliable and presented in good faith, nevertheless, First Allied Securities, Inc. has not independently verified the information contained therein, and does not guarantee its accuracy or completeness.

The information has no regard to the specific investment objectives, financial situation, or particular needs of any specific recipient, and is intended for informational purposes only and does not constitute a recommendation, or an offer, to buy or sell any securities or related financial instruments, nor is it intended to provide tax, legal or investment advice. We recommend that you procure financial and/or tax advice as to the implications (including tax) of investing in any of the companies mentioned.

At any time First Allied Securities, Inc. and its affiliates (or employees thereof) may have a long or short position, or deal as principal or agent, in relevant securities or provide investment banking services (such as acting as placement agent and/or underwriter), advisory services or other services to the issuer of relevant securities or to a company connected with an issuer, and thus we face an inevitable conflict of interest.

MONTHLY ECONOMIC UPDATE

December 2011

MONTHLY QUOTE

“If you command wisely, you’ll be obeyed cheerfully.”

– *Thomas Fuller*

MONTHLY TIP

If you are in line for a bonus (or you are considering taking one from your own business), weigh the tax implications of receiving it in December versus January.

MONTHLY RIDDLE

I am the center of gravity, and part of every victory. I am clearly seen in the middle of a river. Three are in love with me and I have three associates in vice. What am I?

Last month’s riddle:

I went into the woods and got it. I sat down to seek it. I brought it home with me because I couldn’t find it. What is it?

Last month’s answer:

A splinter.

THE MONTH IN BRIEF

An astonishing rally during the last three days of November did much to improve what had been an anxious month for investors. The Dow ended up gaining 0.76% in November after jumping 4.24% on November 30 alone, responding largely to coordinated action by the world’s central banks to improve liquidity in the European Union. We got hints that the real estate market might be finding a legitimate bottom, some fine numbers from Black Friday and Cyber Monday, and pleasant surprises from some other key economic indicators. Our stock market struggled to pull off gains in the face of debt worries, both in Europe and at home. ¹

DOMESTIC ECONOMIC HEALTH

November 2011 might be remembered most for a political and economic lowlight. On November 21, the Congressional “super committee” of 12 assigned to come up with a plan to reduce the federal deficit simply quit. This paved the way for involuntary cuts of \$1.2 trillion in 2013. That prompted a stock market plunge and a Fitch Ratings decision, with the agency changing its U.S. outlook to “negative”.^{2,3}

In better news, consumers spent \$52.4 billion during the four-day Thanksgiving Day weekend. The National Retail Federation said average shopper shelled out \$398.62 in those four days, a new record. Cyber Monday sales rose 22% over 2010 levels to \$1.25 billion. The Commerce Department noted that personal spending rose only 0.1% in October; however, personal wages did increase by 0.4%. The federal government’s Consumer Price Index also budged north by 0.1% in October with annualized inflation coming in at 3.5%.^{4,5,6}

There was a rebound in consumer confidence. November’s Conference Board poll saw a 15-point spike to 56.0. The month’s final University of Michigan index of consumer sentiment came in at 64.1, much better than the final 55.7 for October; it was the third straight monthly gain for the index.^{4,7}

Now, over to industry. The Institute for Supply Management’s November manufacturing PMI bucked a global trend and advanced 1.9% to 52.7, marking the sector’s 28th straight month of expansion. ISM’s most recent service sector PMI (October) came in at 52.9, down from 53.0 the preceding month. Producer prices fell 0.3% in October and total durable goods orders slipped 0.7% in September (they went +0.7% when transportation orders were factored out).^{8,9,10,11}

The jobless rate stunningly dropped to 8.6% in November; it had been 9.0% in October and 9.1% in September. Some of this reduction in unemployment was attributable to people dropping out of the job hunt, but the private sector did add 140,000 positions last month. The underemployment rate fell 0.6% to 15.6%.¹²

GLOBAL ECONOMIC HEALTH

Political change did not stop key Italian bond yields from approaching 7% during November. On November 23, 35% of the 10-year notes offered at Germany’s federal bond auction went unsold. After these alarming developments, the Federal Reserve and other key central banks united on November 30 to foster cheaper dollar loans for European lenders, a move that global markets cheered in relief.^{1,13,14,15}

Economically, the world is sometimes a small village. Was the trouble in Europe now indirectly affecting China? Its PMI fell to 48 in October from 51, the largest monthly slip since March 2009; below 50 is the contraction zone. Output also contracted in Taiwan and South Korea in October. Key PMIs for the Eurozone and Great Britain also fell below 50 in that month of data.^{14,16}

WORLD MARKETS

Most world benchmarks seem headed for double-digit 2011 losses; fortunately, our benchmarks have done better. How did things go globally in November? Poorly, for the most part. In USD terms, here are the monthly numbers according to Morningstar on November 30: FTSE 100, -0.70%; DAX, -0.85%; CAC 40, -2.72%; All Ordinaries, -4.03%; Shanghai Composite, -5.46%; Nikkei 225, -6.16%; TSX Composite, -6.29%; Hang Seng, -9.63%; Sensex, -10.09%. The oft-watched MSCI World (-2.69%) and MSCI Emerging Markets (-6.75%) indices both slipped for the month.^{17,18}

COMMODITIES MARKETS

Gold futures advanced 1.45% last month while copper lost 1.56% and silver lost 4.51%. Through the end of November, gold was +23.14% YTD on the COMEX. The U.S. Dollar Index gained 2.86% in November; at 78.49, it was still -1.01% YTD. Oil ended November at \$100.36 a barrel after going +7.69% for the month. Natural gas went -9.76% in November. Retail gas prices (regular unleaded) fell 4.30% last month to \$3.30 a gallon at month's end. Coffee gained 2.82% for November, but other key crop futures descended: cotton lost 11.13%, corn lost 6.03% and wheat lost 2.27%.¹⁵

REAL ESTATE

Unexpectedly, the National Association of Realtors found that existing home sales increased 1.4% in October. Inventory shrank 2.2% to an 8.0-month backlog; the median sale price was \$162,500, down 4.7% from a year before. The NAR also measured pending home sales surging by 10.4% in October. The S&P/Case-Shiller Home Price Index showed an overall 0.6% decline in September; after a 3Q overall gain of 0.1%, the index showed home prices at roughly 1Q 2003 levels. New home sales increased by 1.3% in October with the annualized gain at 8.9%.^{15,19,20,21}

Interest rates on conventional mortgages didn't move much. Freddie Mac noted the following change (or lack thereof) in its November 3 and December 1 Primary Mortgage Market Surveys: the average rate on the 30-year FRM stayed flat at 4.00%, and the average rate on the 15-year FRM ticked down 0.01% to 3.30%. Rates on 5/1-year ARMs moved down from 2.96% to 2.90%; rates on 1-year ARMs fell to 2.78% from 2.88%.²²

LOOKING BACK...LOOKING FORWARD

The month ended well. November 28-30 represented the S&P 500's best three days since November 23-25, 2008. At the close on November 30, the Dow was back above 12,000, the S&P back above 1,200 and the NASDAQ back above 2,600.¹⁵

% CHANGE	Y-T-D	1-MO CHG	1-YR CHG	10-YR AVG
DJIA	+4.04	+0.76	+9.45	+2.23
NASDAQ	-1.23	-0.50	+4.89	+3.57
S&P 500	-0.85	-2.39	+5.63	+0.94
REAL YIELD	11/30 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.03%	0.74%	2.16%	3.50%

Sources: reuters.com, cnnmoney.com, bigcharts.com, treasury.gov - 11/30/11^{1,23,24,25,26,27,28}
Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.
These returns do not include dividends.

December is historically a fine month for stocks, of course. With the continuing EU debt troubles, will a "Santa Claus" rally will occur as we get toward New Year's Day? It does seem as though there is more optimism at the moment, or at least greater distraction on Wall Street from the crisis in Europe and the apparent slowdown in China. Perhaps stateside indicators will encourage the bulls to run and make 2011 a bit better statistically for investors. As CNBC notes, the Dow has gone positive in

71% of Decembers in its long history, posting an average gain of 1.40%. December has also been the best month of the year for the S&P 500 since 1950.^{29,30}

UPCOMING ECONOMIC RELEASES: Here are the news items arriving between now and the end of the year: the November ISM service sector index and the report on October factory orders (12/5), the initial University of Michigan December consumer sentiment survey (12/9), the report on November retail sales and a Federal Reserve policy announcement (12/13), the November PPI and November industrial output (12/15), the November CPI (12/16), data on November housing starts and building permits (12/20), November existing home sales (12/21), the BEA's final estimate of 3Q GDP, the final University of Michigan December consumer sentiment survey and the Conference Board's November Leading Economic Indicators index (12/22), November consumer spending, new home sales and durable goods orders (12/23), the October Case-Shiller home price index and the Conference Board's December consumer confidence poll (12/27), and the November pending home sales report (12/29). The December unemployment report will be out on January 6.

***Please feel free to forward this article to family, friends or colleagues.
If you would like us to add them to our distribution list, please reply with their address.
We will contact them first and request their permission to add them to our list.***

This material was prepared by MarketingLibrary.Net Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. Marketing Library.Net Inc. is not affiliated with any broker or brokerage firm that may be providing this information to you. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is not a solicitation or recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is not possible to invest directly in an index. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the "NYSE") and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. The FTSE 100 Index is a share index of the 100 most highly capitalized companies listed on the London Stock Exchange. The DAX 30 is a Blue Chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. The CAC-40 Index is a narrow-based, modified capitalization-weighted index of 40 companies listed on the Paris Bourse. The S&P/ASX All Ordinaries Index represents the 500 largest companies in the Australian equities market. The SSE Composite Index is an index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. Nikkei 225 (Ticker: ^N225) is a stock market index for the Tokyo Stock Exchange (TSE). The Nikkei average is the most watched index of Asian stocks. The Hang Seng Index is a freefloat-adjusted market capitalization-weighted stock market index that is the main indicator of the overall market performance in Hong Kong. BSE Sensex or Bombay Stock Exchange Sensitivity Index is a value-weighted index composed of 30 stocks that started January 1, 1986. The MSCI World Index is a free-float weighted equity index that includes developed world markets, and does not include emerging markets. The MSCI Emerging Markets Index is a float-adjusted market capitalization index consisting of indices in more than 25 emerging economies. The US Dollar Index measures the performance of the U.S. dollar against a basket of six currencies. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. All information is believed to be from reliable sources; however we make no representation as to its completeness or accuracy. All economic and performance data is historical and not indicative of future results. Market indices discussed are unmanaged. Investors cannot invest in unmanaged indices. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

Citations.

- 1 - www.reuters.com/article/2011/11/30/markets-stocks-close-idUSWEN125420111130 [11/30/11]
- 2 - abcnews.go.com/Business/gdp-grew-25-percent-boosted-consumer-spending-double/story?id=14821833 [10/27/11]
- 3 - abcnews.go.com/blogs/business/2011/11/fitch-cuts-u-s-outlook-from-stable-to-negative/ [11/28/11]
- 4 - www.kansascity.com/2011/11/29/3291899/americans-in-november-more-confident.html [11/29/11]
- 5 - www.reuters.com/article/2011/11/23/us-usa-economy-consumer-idUSTRE7AM17320111123 [11/23/11]
- 6 - www.businessweek.com/ap/financialnews/D9R1SFE00.htm [11/16/11]
- 7 - latimesblogs.latimes.com/money_co/2011/11/report-consumer-confidence-is-up-.html [11/23/11]
- 8 - www.ism.ws/ISMReport/MfgROB.cfm [12/1/11]
- 9 - www.ism.ws/ISMReport/NonMfgROB.cfm?navItemNumber=12943 [11/3/11]
- 10 - www.bls.gov/news.release/ppi.nro.htm [11/15/11]
- 11 - community.nasdaq.com/News/2011-11/us-durablegoods-order-fell-07-in-october.aspx?storyid=104419 [11/23/11]
- 12 - www.reuters.com/article/2011/12/02/us-usa-economy-idUSTRE7AL14I20111202 [12/2/11]
- 13 - www.reuters.com/article/2011/11/29/italy-bonds-auction-idUSL5E7MS3S820111129 [11/29/11]
- 14 - www.fxstreet.com/fundamental/analysis-reports/the-energy-report/2011/11/24/ [11/24/11]
- 15 - money.msn.com/market-news/post.aspx?post=fd688bc8-f250-4f5f-b360-b0324cd7581c [11/30/11]
- 16 - www.ft.com/cms/s/0/88f51a98-1c3e-11e1-af09-00144feabdco.html#axzz1fKupPoaW [12/1/11]
- 17 - news.morningstar.com/index/indexreturn.html [11/30/11]

- 18 - mscibarra.com/products/indices/international_equity_indices/gimi/stdindex/performance.html [11/30/11]
 - 19 - realtors.org/press_room/news_releases/2011/11/ehs_oct [11/21/11]
 - 20 - www.census.gov/const/newresales.pdf [11/28/11]
 - 21 - www.marketwatch.com/story/us-home-prices-drop-06-in-september-2011-11-29 [11/29/11]
 - 22 - www.freddiemac.com/pmms/ [12/2/11]
 - 23 - money.cnn.com/data/markets/dow/ [11/30/11]
 - 24 - money.cnn.com/data/markets/sandp/ [11/30/11]
 - 25 - money.cnn.com/data/markets/nasdaq/ [11/30/11]
 - 26 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=11%2F30%2F01&x=0&y=0 [12/2/11]
 - 26 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=11%2F30%2F01&x=0&y=0 [12/2/11]
 - 26 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=11%2F30%2F01&x=0&y=0 [12/2/11]
 - 27 - www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll [11/2/11]
 - 28 - www.treasurydirect.gov/instit/annceresult/press/preanre/2001/ofm71101.pdf [7/11/01]
 - 29 - montoyaregistry.com/Financial-Market.aspx?financial-market=an-introduction-to-the-stock-market&category=29 [11/2/11]
 - 30 - www.cnn.com/id/45481657 [11/30/11]
-