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Market Month: February 2010



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The Markets

February helped the equities markets recoup some of their losses since the beginning of the year. However, concerns about financial stability in several European countries and mixed economic data left stocks fighting to regain positive territory for the year.

Market/Index	2009 Close	Prior Month	As of 2/26	Month Change	YTD Change
DJIA	10428.05	10067.33	10325.26	2.56%	-.99%
NASDAQ	2269.15	2147.35	2238.26	4.23%	-1.36%
S&P 500	1115.10	1073.87	1104.49	2.85%	-.95%
Russell 2000	625.39	602.04	628.56	4.41%	.51%
Global Dow	1984.48	1882.49	1891.56	.48%	-4.68%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.85%	3.63%	3.61%	-2 bps	-24 bps

The Month In Review

- Concerns about the possibility of default on sovereign debt by several European countries brought the euro to its lowest level against the dollar (\$1.35) since last May. Other European nations pledged to assist Greece, which faces a severe budget deficit and high debt-to-GDP ratio, but were vague about how any aid might be provided.
- The Bureau of Labor Statistics announced a drop in the unemployment rate from 10% to 9.7%--the lowest rate since August. However, at the same time, 20,000 jobs were cut from nonfarm payrolls.
- The Federal Reserve Board raised the interest rate it charges banks for short-term emergency loans from 0.5% to 0.75%. However, Chairman Ben Bernanke reiterated that the economy is not yet strong enough to raise the target rate, which affects consumer interest rates.
- Consumer inflation remained moderate at a 2.6% annual rate. However, the Bureau of Labor Statistics said wholesale prices were up 1.4% for the third consecutive month, putting the annual wholesale inflation rate at 4.6%.
- Sales of both new and existing homes slowed substantially from the previous month. New home sales fell 11.2% to their lowest monthly level since the Commerce Department began keeping records in 1963. Home resales dropped 7.2%, but housing starts were up.
- Gross Domestic Product (GDP) actually grew 0.2% more in Q4 2009 than the original estimate of 5.7%.
- The SEC voted to adopt an alternative uptick rule, which would curb short selling in a stock once it has fallen 10% in intraday trading. The new rule, which will go into effect 60 days after publication in the Federal Register, requires that once that circuit breaker has been tripped, any short sales for the rest of that day and the next must be executed at a price above the current highest national bid.



Eye on the Month Ahead

Friday's unemployment data will be watched to see if last month's improvement continues. Bond markets will be eyeing the end of March, when the Fed is scheduled to halt its purchases of mortgage-backed bonds. Quadruple witching options expiration on the third Friday of the month could mean volatility leading up to it. And though the Fed has said it will keep interest rates low for the time being, the language of the Fed's announcement will be watched for any hints about when that might change.

Key data releases: Personal income/spending, manufacturing data, construction spending (3/1); pending home sales (3/4); unemployment/nonfarm payrolls (3/5); international trade (3/11); retail sales (3/12); industrial production (3/15); housing starts, Fed announcement (3/16); wholesale inflation (3/17); consumer inflation (3/18); quadruple witching options expiration (3/19); home resales (3/23); new-home sales, durable goods orders (3/24); final Q4 GDP (3/26); personal income/spending (3/29); home prices (3/30).

Data source: All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indexes listed are unmanaged and are not available for direct investment.



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