



Monthly economic update



Candor. Insight. Results.

February 3, 2012

Economic indicators

<p style="color: red; transform: rotate(-90deg);">Leading</p> <p style="color: blue; transform: rotate(-90deg);">↑</p> <p style="color: red; transform: rotate(-90deg);">Lagging</p> <p style="color: blue; transform: rotate(-90deg);">↓</p>	<p>Consumer confidence</p> <p style="text-align: center;">+ -</p>	<ul style="list-style-type: none"> > The consumer confidence index fell in January to a reading of 61.1, down from December's reading of 64.8 (1985=100, The Conference Board). The drop followed two months of significant increases. The main contributor to the drop was uneasiness about personal incomes. > The University of Michigan/Reuters consumer-sentiment index increased in January to a reading of 75.0 from 69.9 for a fifth straight month of increases. The index is moving closer to the 40-year average reading of 85.4.
	<p>Spending</p> <p style="text-align: center;">+ -</p>	<ul style="list-style-type: none"> > Retail sales were up 0.1% in December from a month ago and are up 6.5% from a year ago. (Commerce Department) > Consumer spending was flat in December from a month ago, while personal incomes rose by 0.5%, the most in a year. > The savings rate rose from 3.5% in November to 4% in December. (Commerce Department)
	<p>Manufacturing</p> <p style="text-align: center;">+ -</p>	<ul style="list-style-type: none"> > The December adjusted reading was 53.1. The January reading increased to 54.1. New orders, production, and employment all rose in January. (Institute of Supply Management)
	<p>GDP growth</p> <p style="text-align: center;">+ -</p>	<ul style="list-style-type: none"> > In the Commerce Department's first estimate, fourth quarter gross domestic product (GDP) grew by 2.8%. Positive contributors were personal consumption, private investment, and exports. Negative contributors were government spending on federal and state levels.
	<p>Inflation</p> <p style="text-align: center;">+ -</p>	<ul style="list-style-type: none"> > The consumer price index (CPI) was unchanged in December from a month earlier and 12 month CPI fell again to 3.0%. > Core CPI (CPI – food & energy) increased by 0.1% in December from a month prior and the annual rate held steady at 2.2%.
	<p>Housing</p> <p style="text-align: center;">-</p>	<ul style="list-style-type: none"> > The 20 city Case-Shiller Index (home-price readings) fell 1.3% in November from a month prior, after increasing for five out of the last seven readings. The index is also down -3.7% from a year ago. > Existing home sales rose by 5.0% in December from a month earlier and are up 3.6% from a year ago. Sales have risen for 3 consecutive months. > New home sales fell 2.2% in December from a month prior, after rising for the past 3 months. 2011 was a record low for new home sales.
	<p>Job growth</p> <p style="text-align: center;">+ -</p>	<ul style="list-style-type: none"> > The unemployment rate fell for the fifth straight month, down to 8.3% which was well ahead of expectations. The economy created 243,000 jobs in January.

January was met with optimism, as market volatility showed a welcome decrease and economic indicators continued to show signs of slow, but positive improvement.

- > The University of Michigan/Reuters consumer-sentiment index increased to 75.0, for a fifth straight month of increases.
- > The savings rate rose to 4% in December.
- > The manufacturing reading increased to 54.1, with new orders, production, and employment all increasing.
- > Existing home sales rose 5.0% in December.
- > The unemployment rate fell for the fifth straight month, down to 8.3% which was well ahead of expectations.

We welcome the opportunity to discuss how we can help you meet your goals.

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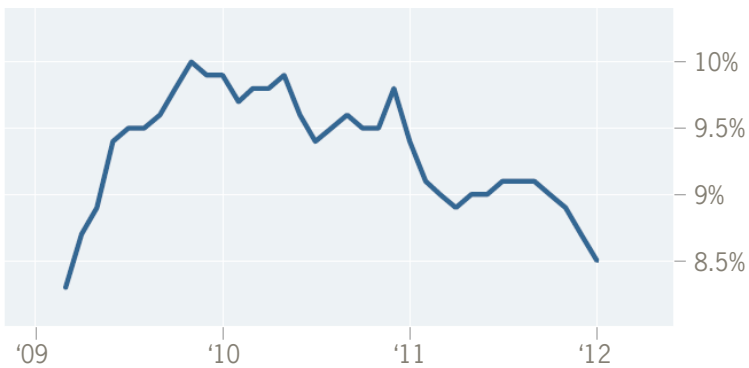
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Headlines

Strong start to 2012, as optimism increases.

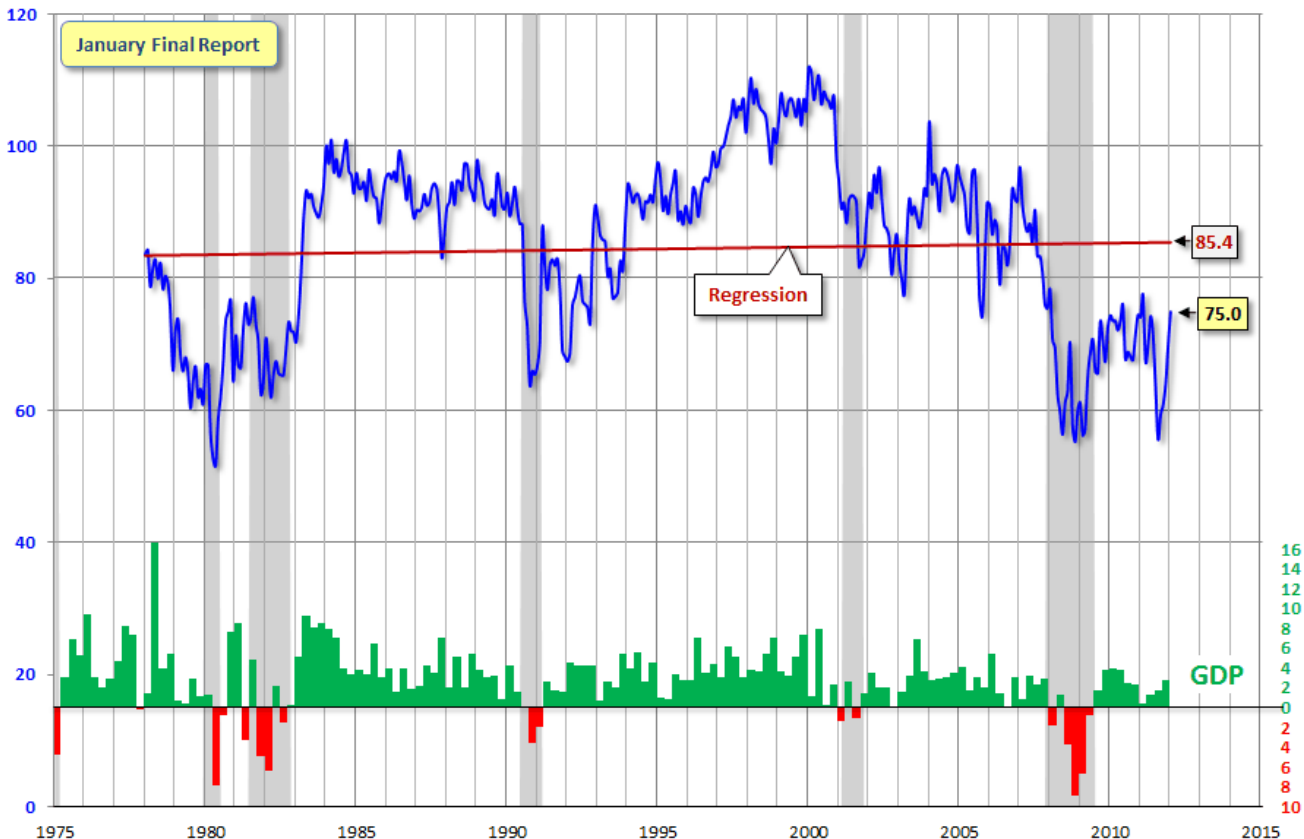
US unemployment rate 8.3%



Source: Bloomberg

**University of Michigan Consumer Sentiment Index
GDP and Recessions**

dshort.com
January 2012

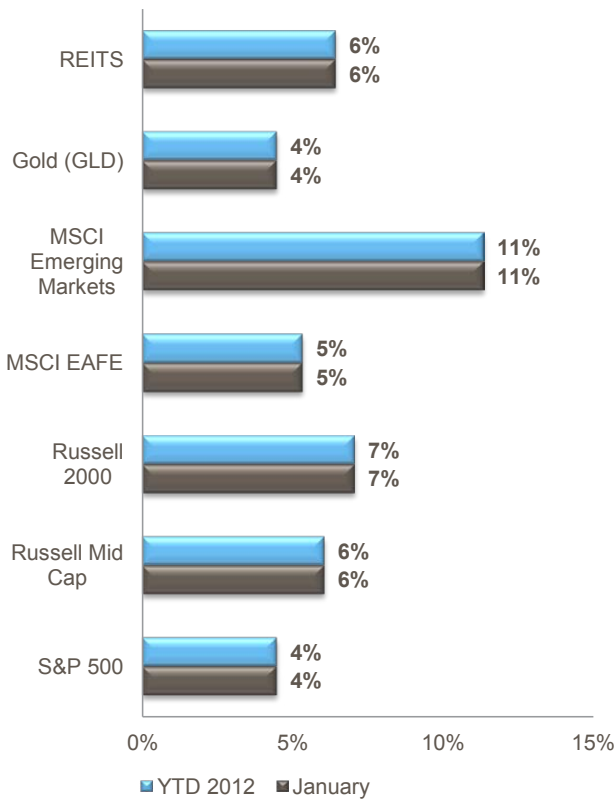


Source: dshort.com



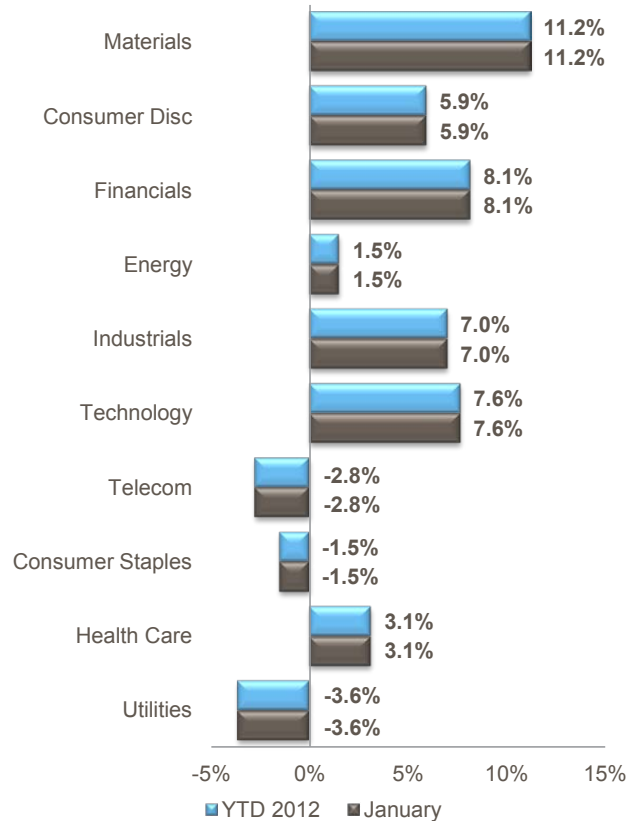
Equity markets

Equity market performance

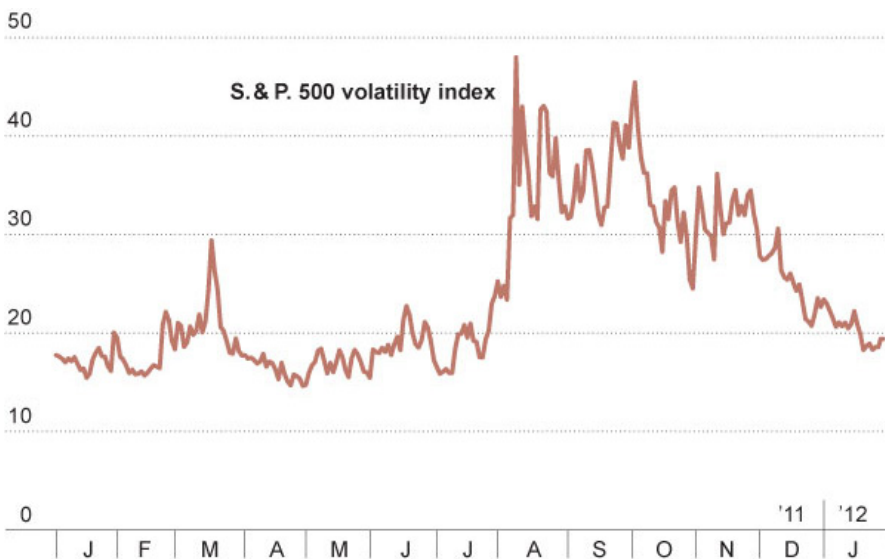


Source: Morningstar, Inc.

Sector performance



Source: Morningstar, Inc.



Source: Bloomberg

January returns provided the best month for the Dow Jones Industrial Average index and S&P 500 index since 1997.

International markets bounced back, especially emerging markets.

European markets calmed, as the European Central Bank infused banks with billions in funding.

Market volatility fell in January as the S&P 500 Index moved more than 1% on only two occasions, both positive moves.



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Fixed income markets

Consumer Money Rates

Tuesday, January 31, 2012

Interest Rate	YIELD/RATE (%)		52-WEEK		CHANGE IN PCT. PTS	
	Last	Wk Ago	High	Low	52-Wk	3-Yr
Federal-funds rate target	0-0.25	0-0.25	0-0.25	0-0.25	...	0.00
Prime rate*	3.25	3.25	3.25	3.25	...	0.00
Libor, 3-month	0.54	0.56	0.58	0.25	0.23	-0.64
Money market, annual yield	0.51	0.51	0.65	0.49	-0.11	-1.26
Five-year CD, annual yield	1.39	1.40	2.01	1.39	-0.61	-1.46
30-year mortgage, fixed	3.99	4.11	5.16	3.99	-0.89	-1.65
15-year mortgage, fixed	3.32	3.46	4.43	3.32	-0.87	-1.80
Jumbo mortgages, \$417,000-plus	4.50	4.73	5.86	4.50	-0.98	-2.42
Five-year adj mortgage (ARM)	3.05	3.10	3.79	3.00	-0.54	-2.52
New-car loan, 48-month	3.65	4.04	5.19	3.65	-1.52	-3.38
HELOC, \$30,000	4.81	4.92	5.17	4.71	-0.36	-0.37

* Base rate posted by 70% of the nation's largest banks.

Source: Wall Street Journal

Federal Reserve disclosures in January

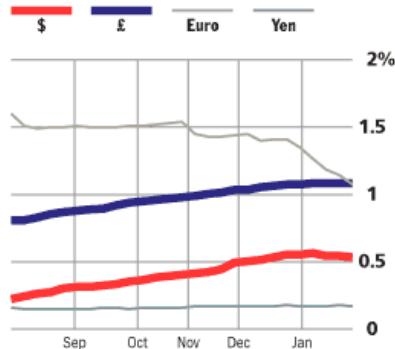
- > Maintained current target rates through at least late 2014.
- > Held rates low, as long as unemployment is above 5.2% - 6.0% and inflation remains at or below 2%.

Higher risk assets began January with gains after the Federal Reserve disclosures were released and the economy continued to improve.

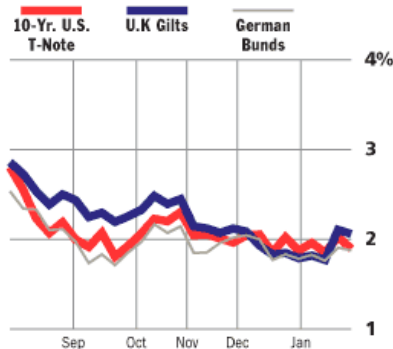
Foreign sovereign debt yields fell as investors saw optimism in Europe.

- > Italy 10 Yr: 5.6%
- > Spain 10 Yr: 4.6%

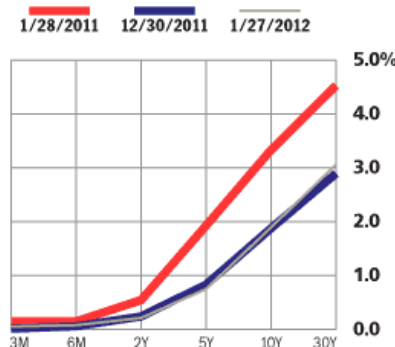
GLOBAL SHORT-TERM RATES



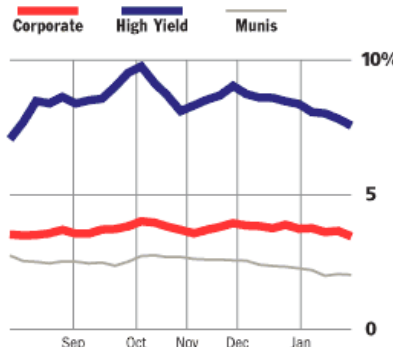
GLOBAL LONG-TERM RATES



U.S. TREASURY YIELD CURVE

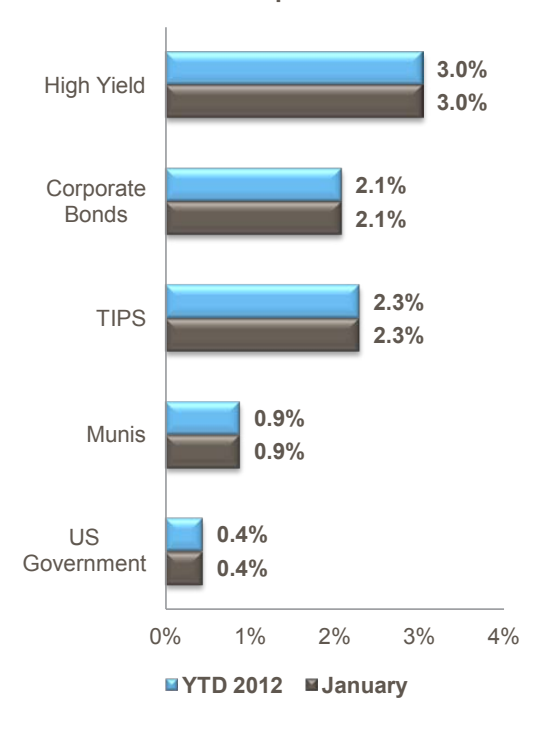


U.S. CREDIT



Source: Bloomberg

Bond market performance



Source: Morningstar, Inc.

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