



Market Week: March 28, 2011

The Markets

Investors brushed aside disappointing housing data and debt concerns in Europe to push domestic equities higher for the week. The Dow and S&P 500 regained 12,000 and 1,300 respectively and both small caps and the tech-heavy Nasdaq saw new enthusiasm. That renewed interest in stocks helped send the price of 10-year Treasuries back down as yields rose.

Market/Index	2010 Close	Prior Week	As of 3/25	Week Change	YTD Change
DJIA	11577.51	11858.52	12220.59	3.05%	5.55%
Nasdaq	2652.87	2643.67	2743.06	3.76%	3.40%
S&P 500	1257.64	1279.21	1313.80	2.70%	4.47%
Russell 2000	783.65	794.66	823.85	3.67%	5.13%
Global Dow	2087.44	2093.63	2166.09	3.46%	3.77%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.30%	3.28%	3.46%	18 bps	16 bps

Last Week's Headlines

- New-home sales plummeted almost 17% in February, hitting the lowest point since record-keeping began in 1963, the Commerce Department said. Sales also were down 28% from the previous February. Hardest hit were sales in the Northeast, now down 50% from a year ago, and the Midwest, down almost 41% in the same time.
- Sales of existing homes also fell sharply in February, according to the National Association of Realtors®. The 9.6% decline followed three straight months of increases. Though they were 26.4% higher than last July's low, sales were still down 2.8% from February 2010. All-cash purchases hit a record 33% of all sales, and distressed homes sold at a discount represented 39% of total sales.
- Durable goods orders fell in February, according to the Commerce Department. The 0.9% drop was the fourth decline in five months. New orders for capital goods (other than defense-related equipment and aircraft), which indicate the level of business spending, were down 1.3%.
- Despite another downgrade of the country's sovereign debt, the Portuguese parliament rejected a proposed combination of tax increases and budget cuts, potentially increasing the need for a bailout from fellow European Union members. The country's prime minister, who proposed the austerity package, resigned and a new government will need to be formed. Also, Moody's downgraded the credit rating of 30 Spanish banks, citing as one reason pressures from a recent deterioration in that country's sovereign debt, which was downgraded earlier this month.
- The final figure for Q4 gross domestic product (GDP) showed the economy grew at an annualized rate of 3.1%, higher than previously thought and higher than Q3's 2.6%. For all of 2010, the economy grew almost 3%, a vast improvement from 2009's decline of 2.6%. After-tax corporate profits were up 20.4% in 2010 compared to 2009's 5.1% increase.

Eye on the Week Ahead

Investors will watch to see if the market continues to recover from its recent bruising and extends its upward march. A data-intensive Friday will see new employment, construction, and manufacturing indicators.

Key dates and data releases: personal income/spending (3/28); home prices (3/29); unemployment/payrolls, construction spending, U.S. manufacturing (4/1).

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