



# ALL STAR FINANCIAL

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## Weekly Market Wrap January 4, 2010

### Review - Week Ending 12/31/2009

Stocks ended the year slightly off last week on light volume, but up solidly for the year. Foreign stocks and high yield bonds finished the week up, as the decade with the “bookend bubbles” ended. The year kicks off with a full week of trading, and appears set for a strong open, possibly on institutional buying.

### Commentary/Highlights

- **Economy Update:** Economic news finished the year on an upswing, jobless claims fell to their lowest level in 18 months and retail chain sales were up 2.3% from last year. Perhaps most encouraging was slight improvement in housing prices, with the S&P/Case-Shiller 20-city home index up 0.4% during the three-months ending in October. The overall economy remains historically weak, but trends are moving in right direction for now.
- **Banner Year for Corporate Bonds:** U.S. government and Fed support for the credit markets led to a strong recovery for credit and corporate bond markets in 2009. Corporations took full advantage of the recovery by issuing \$1.06 trillion in investment grade corporate debt and \$148 billion in high-yield debt during 2009, both records according to Deal Logic. The Barclays Credit Index finished the year up 16% and the Merrill Lynch High Yield Index was up 58% during the year, also a record.
- **Remember Dubai? :** Last month Dubai had to go to Abu Dhabi to halt default as its region fell into recession before it could complete many of its ambitious construction projects. This week Dubai opens the world’s tallest building, the 160 story plus Burj Dubai, and combination residential, office, and hotel structure with views of Iran across the Persian Gulf.
- **Fannie and Freddie Unleashed:** The Treasury Department’s Christmas present to Fannie Mae and Freddie Mac, the government sponsored mortgage entities (GSE), was to lift the caps on the amount of government support to the agencies through 2012, and remove the requirements that it shrink its mortgage portfolio in 2010. The action clears the way for the agencies to become more aggressive in cleaning up the mortgage mess and prevent them from having to sell mortgages into a still fragile housing recovery.
- **Bernanke and Bubbles:** In a weekend speech to the American Economic Association, Fed chairman Ben Bernanke pointed to lax regulation as the primary cause of the housing bubble and urged “adequate reforms” in order to prevent another. He defended monetary policy but did not rule out the raising of interest rates as a means of preventing future asset bubbles.
- **Escape the Economy:** U.S. consumers spent more on movie tickets during 2009 than they did on movies at home, for the first time since 2002.
- **Global Market Update:** In global market news, Japan’s government doubled its funding support for Japan Airlines, averting immediate bankruptcy risk for the airline. Swiss pharma giant Novartis agreed to takeover Alcon in a \$40 billion merger, and China’s manufacturing sector grew by 10% in December, its fastest pace in five years.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays Aggregate Bond	-0.02%	+0.20%	+5.93%
Barclays High Yield	+0.42%	+6.19%	+58.21%
Dow Jones Industrial	-0.84%	+8.09%	+22.60%
S&P 500 Index	-0.98%	+6.01%	+26.50%
Russell 3000	-1.06%	+5.90%	+28.34%
MSCI EAFE Index	+0.39%	+1.80%	+27.75%
MSCI EAFE Small Cap	+1.04%	-1.00%	+47.32%
NASDAQ Composite	-0.72%	+6.91%	+43.89%
Russell 2000	-1.31%	+3.87%	+27.17%