










The Economy

The nonfarm payrolls number in January was 243,000, over 100,000 jobs higher than the consensus estimate of 140,000, according to Bloomberg. The 250,000 monthly jobs target has been quoted often in the press as an important measuring stick that needs to be eclipsed in order to make a serious dent in the unemployment rate. While it has yet to be reached in the current economic recovery, job growth is accelerating. For the three-month period ended January 2012, the U.S. created 603,000 jobs, well above the 399,000 created the previous three months. GDP growth is on the rise as well. The U.S. growth rate was an annualized 2.8% in Q4'11. GDP averaged 2.6% from 1991-2011, according to data from the Bureau of Economic Analysis.

Consumer Confidence 61.1 (Jan) 64.5 (Dec) 	Crude Oil (Mo.-End) \$98.48 (Jan) \$98.83 (Dec) 	Personal Spending U 0.0% (Dec) N Nov was 0.1% C H.	ISM Manufacturing  54.1 (Jan) 53.9 (Dec)	ISM Non-Manufacturing  56.8 (Jan) 52.6 (Dec)
Gold (Mo.-End)  \$1737.80 (Jan) \$1566.80 (Dec)	Natural Gas (Mo.-End)  \$2.50 (Jan) \$2.99 (Dec)	Factory Orders  1.1% (Dec) Nov was 1.8%	New Home Sales  307,000 (Dec) 315,000 (Nov)	Existing Home Sales  4.61M (Dec) 4.42M (Nov)

The Stock Market

Indices (Source: Bloomberg)

	Jan	12-mo.
S&P 500	4.5%	4.2%
DJIA	3.6%	9.1%
NASDAQ 100	8.4%	9.2%
S&P 400	6.6%	2.7%
Russell 2000	7.1%	2.8%
Russell 3000	5.0%	3.8%
MSCI World (ex U.S.) (USD)	5.4%	-9.4%
MSCI Emerging Markets (USD)	11.3%	-6.5%

Growth/Value (Source: Bloomberg)

	Jan	12-mo.
S&P 500 Growth	4.1%	7.3%
S&P 500 Value	4.9%	1.1%
S&P 400 Growth	6.9%	4.4%
S&P 400 Value	6.3%	1.1%
Russell 2000 Growth	7.5%	4.9%
Russell 2000 Value	6.7%	0.7%

One hundred and seven out of the 132 subsectors (81%) that comprise the S&P 500 posted a gain in January, up from 74 (56%) last month, according to S&P. Materials was the top performing sector, up 11.2%. In Jan., the dividend-payers (395) in the S&P 500 (equal weight) posted a total return of 4.89%, vs. 8.19% for the non-payers (105), according to S&P. For the 12-month period ended Jan., payers were up 4.18%, vs. a loss of 2.09% for the non-payers. The number of dividend increases in Jan. totaled 32, up from 29 increases a year ago. Lipper data shows that investors poured \$31.3 billion into mutual funds/ETFs that invest in dividend-paying stocks in 2011, nearly 5x the amount in 2010, according to SmartMoney.com. In 2011, approximately 68% of S&P 500 companies increased their dividend payouts, up from around 52% in 2010 and 41% in 2009, according to Bloomberg. The average length of time it takes to fully recover from a bear market in stocks is 39 months, according to InvesTech Research. The S&P 500 stood at 1312.41 on 1/31/12, up from 676.53 (market bottom) on 3/9/09. That was 16% below its all-time high of 1565.15 on 10/9/07. The current bull market is approaching the 35-month mark (2/9/12). The market is off to a good start. We'll check back in four months to see where things stand.

U.S. Dollar Index (DXY)  -1.1% (Jan) 1.5% (2011) \$ was down 1.1% in '10	CBOE Total Equity Options  (# of contracts in millions) Jan: 44.1 (+51.0%) Dec: 29.2 (-12.8%) Record 7/08: 67.2 million	Short Interest (NYSE)  Jan 13: 13.4B (-0.7%) Dec 15: 13.5B (-4.3%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500)  19.44 (1/31) 23.40 (12/30) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	Jan	12-mo.	Yield
U.S. Treasury: Intermediate	0.51%	6.80%	0.63%
GNMA 30 Year	0.26%	8.28%	2.66%
Municipal Bond (22+)	3.79%	21.10%	3.94%
U.S. Aggregate	0.88%	8.66%	2.05%
Intermediate Corporate	2.20%	7.14%	2.81%
U.S. Corporate High Yield	3.04%	5.83%	7.52%
Global Aggregate	1.67%	7.22%	2.15%
Global Emerging Markets	2.50%	8.31%	5.78%

The Federal Reserve has stated it is prepared to keep interest rates low through 2014 if need be. Inflation is hovering around historical levels. The CPI-Headline rate is at 3.0%, matching its average since 1926. The CPI-Core rate is at 2.2%, just above its 2.0% target. A low inflation rate plus the Fed's commitment to keeping rates low should entice investors to take on more risk. We saw just that in Jan. with the rally in high yield corporate bonds (see chart). At the close of Jan., investors were getting 200 bps more in spread over what Treasuries were paying than a year ago (see "Key Yield Spread"). In addition to the higher spread, the U.S. speculative-grade default rate stood at 1.8% in Dec., well below its historical average of 5.0%. This low interest rate climate is particularly advantageous for closed-end bond funds that employ leverage.

Key Rates as of January 31 Fed Funds 0-0.25% 2-Yr. T-Note 0.22% 10-Yr. T-Bond 1.80% 30-Yr. Mortgage 3.85% Bond Buyer 40 4.57% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch High Yield Master II Index and the 10-Yr. T-Note was 617 basis points on 1/31/12, down from 679 on 12/30/11. It was 417 on 1/31/11. (Source: Bloomberg)	2011 Debt Issuance (Source: Thomson Reuters) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '10</th> </tr> </thead> <tbody> <tr> <td>Treasury</td> <td>\$2.1 Trillion</td> <td>-8.7%</td> </tr> <tr> <td>Corporate</td> <td>\$1.0 Trillion</td> <td>-5.4%</td> </tr> <tr> <td>Convertible</td> <td>\$21.0 Billion</td> <td>-27.8%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$124.8 Billion</td> <td>+16.1%</td> </tr> <tr> <td>Municipal</td> <td>\$294.6 Billion</td> <td>-32.0%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '10	Treasury	\$2.1 Trillion	-8.7%	Corporate	\$1.0 Trillion	-5.4%	Convertible	\$21.0 Billion	-27.8%	Asset-Backed	\$124.8 Billion	+16.1%	Municipal	\$294.6 Billion	-32.0%
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Equity funds reported net cash outflows totaling \$28.8 billion in 12/11, vs. \$18.6 billion of outflows in 11/11, according to the Investment Company Institute. Bond fund inflows totaled \$9.6 billion, vs. \$19.0 billion of inflows in 11/11. Money Market fund inflows totaled \$38.5 billion, vs. \$43.1 billion of inflows in 11/11. In 2011, equity funds reported net outflows totaling \$130.3 billion, vs. \$124.8 billion of inflows for bond funds (municipal bond funds had outflows totaling \$11.8B) and \$123.9 billion of outflows for MMFs.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	1565.15	10/09/07	676.53	03/09/09	1312.41	-16.15%	4.48%	2.02%
S&P 500 Growth	730.83	10/12/07	363.99	03/09/09	704.97	-3.54%	4.12%	1.77%
S&P 500 Value	836.19	07/13/07	307.16	03/09/09	600.45	-28.19%	4.91%	2.31%
S&P 400	1015.26	04/29/11	372.88	10/09/02	936.51	-7.76%	6.61%	1.38%
S&P 400 Growth	465.69	07/07/11	162.27	10/09/02	426.63	-8.39%	6.86%	0.92%
S&P 400 Value	361.18	06/04/07	135.55	10/09/02	323.05	-10.56%	6.33%	1.88%
S&P 100	729.79	10/09/07	322.13	03/09/09	593.83	-18.63%	4.19%	2.17%
DJIA	14164.53	10/09/07	6547.05	03/09/09	12632.91	-10.81%	3.55%	2.51%
NASDAQ 100	2467.95	01/31/12	804.64	10/07/02	2467.95	0.00%	8.38%	0.94%
Russell 2000	865.29	04/29/11	327.04	10/09/02	792.82	-8.38%	7.06%	1.41%
Russell 2000 Growth	497.75	04/29/11	169.69	10/09/02	456.66	-8.26%	7.48%	0.68%
Russell 2000 Value	1276.63	06/04/07	469.32	03/09/09	1043.56	-18.26%	6.65%	2.16%
Russell 3000	907.58	10/09/07	389.61	03/09/09	779.22	-14.14%	5.05%	1.92%
MSCI World x U.S. (USD)	5379.90	10/31/07	1636.59	03/12/03	3857.97	-28.29%	5.40%	N/A
MSCI Emerging Markets (USD)	473.35	10/29/07	79.55	10/10/02	396.94	-16.14%	11.34%	N/A
Bovespa/Brazil (USD)	44638.24	05/19/08	2160.80	10/16/02	36279.72	-18.73%	19.86%	3.60%
RTS/Russia (USD)	2487.92	05/19/08	282.56	02/20/02	1577.29	-36.60%	15.54%	2.25%
Bombay SE 500/India (USD)	226.04	01/07/08	21.10	10/28/02	132.43	-41.41%	21.74%	1.51%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	363.43	-55.15%	4.02%	2.14%
KOSPI/South Korea (USD)	2.29	10/31/07	0.41	03/17/03	1.74	-24.04%	9.85%	0.66%
Hang Seng (USD)	4082.25	10/30/07	1078.13	04/25/03	2629.30	-35.59%	10.79%	3.37%
MSCI Euro (USD)	1988.53	10/31/07	598.84	03/12/03	983.75	-50.53%	6.04%	4.42%
S&P Consumer Discretionary	328.81	07/07/11	125.72	03/09/09	326.65	-0.66%	5.91%	1.55%
S&P Consumer Staples	337.43	12/29/11	182.72	03/10/03	329.84	-2.25%	-1.51%	2.94%
S&P Energy	668.81	05/20/08	163.83	07/23/02	528.53	-20.97%	1.49%	1.85%
S&P Utilities	223.91	12/10/07	77.27	10/09/02	176.28	-21.27%	-3.63%	4.09%
S&P Financials	509.55	02/20/07	81.74	03/06/09	189.19	-62.87%	8.13%	1.73%
S&P Banks	414.38	02/20/07	49.02	03/05/09	137.82	-66.74%	5.71%	1.82%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	472.55	-30.15%	6.36%	3.30%
S&P Health Care	426.93	05/07/07	252.84	03/05/09	413.82	-3.07%	3.10%	2.14%
S&P Pharmaceuticals	429.68	03/15/02	214.50	03/03/09	333.37	-22.41%	-1.07%	3.43%
NYSE Arca Biotechnology	1502.18	05/12/11	280.09	07/10/02	1322.04	-11.99%	21.13%	0.04%
S&P Information Technology	441.36	10/31/07	172.88	10/09/02	441.01	-0.08%	7.63%	1.01%
Philadelphia Semiconductor	637.94	03/08/02	171.32	11/20/08	408.94	-35.90%	12.26%	1.27%
S&P Telecom Services	181.06	05/31/07	79.00	09/30/02	124.71	-31.12%	-2.76%	5.80%
S&P Industrials	381.16	10/09/07	132.83	03/09/09	312.52	-18.01%	6.97%	2.20%
S&P Materials	285.91	05/16/08	102.55	10/09/02	235.12	-17.76%	11.18%	2.07%
Philadelphia Gold & Silver	228.95	04/08/11	55.73	07/26/02	201.04	-12.19%	11.43%	1.41%
Reuters/Jefferies CRB	473.52	07/02/08	187.29	01/31/02	312.31	-34.05%	2.30%	N/A
Merrill Lynch Perpetual Preferred	197.85	05/08/07	51.79	03/09/09	168.41	-14.88%	5.64%	7.15%
Merrill Lynch High Yield Master II	280.44	01/31/12	106.67	10/10/02	280.44	0.00%	2.90%	7.97%