



European Politics Move Markets

Weekly Update – November 14, 2011

It was another yo-yo week for the stock market as ongoing worries surrounding Europe's debt crisis kept investors in suspense. The choppy period eventually ended with a rally on Friday as welcome news of a political shake-up in Greece and Italy boosted confidence that there will be further progress toward a solution.

Greek Prime Minister George Papandreou has been replaced by former banker and European Central Bank Vice President Lucas Papademos¹, while Italian Prime Minister Silvio Berlusconi, who resigned on Friday, will likely be replaced by former EU Commissioner Mario Monti. The world will be watching as new leadership in both countries fight to implement reforms quickly and aggressively. Just Saturday, the Italian lower house of parliament approved a series of austerity measures demanded by Europe to shore up confidence in the country's economy. It passed by a vote of 380 to 26.²

Why should any of this matter to Investors? While Greece is only the 32nd largest economy in the world, Italy holds the 8th spot, and is the 3rd largest in Europe.³ If these two countries can get their acts together, other debt-laden countries in the region will have a model to follow. If they fail to create change, the consequences could be far-reaching. Europe as a whole makes up 25-30% of the global economy, and millions of American jobs depend on stability and growth there. To quote Jacob Kirkegaard of the Institute for International Economics: "Europe is by far our biggest trading partner. It's where most of our exports go. It's where we have most of our foreign direct investments. US multinational corporations are in Europe."⁴

While it is unlikely that problems in Europe will cripple the American economy, we are connected to Europe in many ways, and investors know that. As long as Europe's future remains hazy, stocks will likely continue to react to headlines from across the sea, as we have seen in recent months.

ECONOMIC CALENDAR:

Tuesday – Producer Price Index, Retail Sales, Empire State Manufacturing Survey, Business Inventories

Wednesday – Consumer Price Index, Industrial Production

Thursday – Housing Starts, Jobless Claims, Philadelphia Fed Survey

Friday – Leading Indicators

Data as of 11/11/2011	1-Week	YTD	1-Year	5-Year	10-Year
Standard & Poor's 500	0.85	0.49	4.15	-1.70	1.28
Dow	1.42	4.98	7.72	0.07	2.65
NASDAQ	-0.28	0.98	4.82	2.42	4.65
MSCI EAFE	0.00	-9.30	-7.98	-3.32	-2.47
10-year Treasury Note (Yield Only)	2.05	N/A	2.65	4.59	4.31

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized.
Sources: Yahoo! Finance, MSCI Barra. Past performance is no guarantee of future results.
Indices are unmanaged and cannot be invested into directly. N/A means not available.

HEADLINES:

Moody's Investors Service is reviewing the risk to Penn State's reputation and finances in the wake of a child sex abuse scandal that has rocked the university. In coming months, the credit rating agency will evaluate whether the university should be downgraded. Penn State carries the second highest credit rating, reflecting very strong student demand and a strong national academic brand. The university has about \$1 billion in rated debt.⁵

Dubai's fast-growing airline Emirates kicked off the Middle East's biggest airshow Sunday with a huge order for 50 Boeing 777s, marking the U.S. aircraft maker's biggest-ever single order in dollar terms.⁶

The Securities and Exchange Commission admitted Friday that it had disciplined eight employees over their handling of the \$50 billion Bernard Madoff Ponzi scheme without firing any of the workers. The disciplinary actions, which drew jeers from some victims of the investment scandal, prompted a ninth individual to leave the agency before the punishment was finalized. The actions were meted out over the past year and weren't disclosed by the agency until an article on the actions was published online Friday by the Washington Post.⁷

QUOTE OF THE WEEK:

"If you want to feel rich, just count all of the things you have that money can't buy." - Unknown

RECIPE OF THE WEEK:

Amazing Bacon-Wrapped Jalapeno Shrimp



Ingredients:

- 1 quart vegetable oil for frying
- 32 peeled and deveined medium shrimp, tail-on
- 1 (4 ounce) can pickled jalapeno peppers, cut into slivers
- 16 slices bacon, cut in half
- 32 toothpicks

Directions:

- 1) Heat oil in a deep-fryer or large saucepan to 350 degrees F (175 degrees C).
- 2) Cut the shrimp along the back, nearly through to the front. Stuff each shrimp with a sliver of jalapeno, then wrap with half a slice of bacon. Secure with a toothpick. Repeat with the remaining ingredients.
- 3) Cook the shrimp in batches in the hot oil until the bacon is crispy and golden brown, 2 to 3 minutes. Drain on a paper towel-lined plate before serving.

GOLF TIP OF THE WEEK:

Water Balls

Howard Stone, a professor of chemical engineering and applied mechanics at Harvard University, was asked for his opinion on what effect water could have on golf balls: "Given how long they were in the water, there are two things that might have happened," says Stone. "You might have absorbed a little bit of water into the ball so the ball might not only be a bit heavier, but it might have a slightly larger radius, and both of those factors, in general, will tend to affect the aerodynamic performance, making the ball fall faster. Water may also affect the structure of the molecules in the ball and might cause it to swell a little, a common effect in polymers."

So the next time you scoop a ball from the water, bear in mind that it might not be as good as it looks. You may want to save those water balls for your next shot onto an island green.

HEALTH TIP OF THE WEEK:

Eat Breakfast

We've all heard that breakfast is the most important meal of the day, but did you know that breakfast eaters are usually leaner than those who skip their morning meal? High-fiber cereals are central to breakfast's health benefits, and can help reduce the risk of heart disease, stroke, and diabetes. Adding nonfat milk and fruit increase the benefits to your health!

GREEN TIP OF THE WEEK:

Use CFLs

These energy-saving light bulbs are a little more expensive than regular light bulbs, but they last much longer and will lower your power bill in the long run. The habit to develop is to buy a couple of these at a time, instead of the regular incandescent bulbs, and replace your bulbs with CFLs as they burn out. In a few months, your entire house will have energy-saving bulbs. Simple!

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The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. The DJIA was invented by Charles Dow back in 1896.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Google Finance is the source for any reference to the performance of an index between two specific periods.

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¹ http://money.cnn.com/2011/11/10/news/international/greece_papademos.cnnw/index.htm?iid=EL

² http://money.cnn.com/2011/11/12/news/economy/italy_austerity.cnnw/index.htm?iid=EL

³ <http://www.imf.org/external/index.htm>

⁴ <http://abcnews.go.com/blogs/business/2011/11/italys-debt-crisis-why-does-it-matter/>

⁵ http://money.cnn.com/2011/11/11/news/economy/penn_state_downgrade/

⁶ http://www.washingtonpost.com/business/fast-growing-airline-emirates-plans-to-add-50-boeing-777s/2011/11/13/gIQAto6AHN_story.html

⁷ <http://online.wsj.com/article/SB10001424052970204358004577032280966055886.html>

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