



The Stephenson National Bank & Trust
 Trust & Investment Management
 Kadie Truitt, CTFA, CISP
 AVP & Trust Officer
 1820 Hall Avenue
 PO Box 137
 Marinette, WI 54143
 715-735-2360
 Kadie.Truitt@snt.com
 www.snt.com



Market Month: January 2013

The Markets

Off to a flying start: Domestic equities soared after Congress struck a fiscal cliff deal in the wee hours of the new year, and those who believe that January suggests something about the rest of 2013 were rejoicing. The Dow industrials haven't seen a January this good since 1989; the index is now just over 2% away from its pre-2008 high. The S&P 500 had its best January since 1997, and is roughly 4% from achieving a similar milestone. The Nasdaq was hampered in part by Apple's fall from favor but still had its best month since last August, while the small-cap Russell 2000 handily beat the large caps. And the Global Dow gained in a single month more than half of the 10.8% it earned in all of 2012.

The renewed interest in equities cut into bond demand; the 10-year Treasury yield rose above 2% for the first time since last April. Oil prices rose almost 5% to more than \$97 a barrel during the month, while the dollar lost roughly 1.5% against a basket of six foreign currencies. Despite some volatility, gold ended January at roughly \$1,680, only slightly higher than it started.

Market/Index	2012 Close	Prior Month	As of 1/31	Month Change	YTD Change
DJIA	13104.14	13104.14	13860.58	5.77%	5.77%
Nasdaq	3019.51	3019.51	3142.13	4.06%	4.06%
S&P 500	1426.19	1426.19	1498.11	5.04%	5.04%
Russell 2000	849.35	849.35	902.09	6.21%	6.21%
Global Dow	1995.96	1995.96	2122.15	6.32%	6.32%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.78%	1.78%	2.02%	24 bps	24 bps

Equities data reflect price changes, not total return.

The Month in Review

- After passing legislation that avoided a plunge off the fiscal cliff, Congress began working on ways to avoid hitting the debt ceiling in February. Investors began assessing the impact of the American Tax Relief Act of 2012, which permanently extended most tax rates and added a new one, made capital gains rates permanent and added a new rate for the wealthiest taxpayers, postponed spending cuts, and extended certain tax provisions, either permanently or temporarily. By month's end, Congress had agreed to suspend the debt ceiling temporarily until May without requiring spending cuts, though lawmakers' paychecks would be withheld if their chamber of Congress doesn't pass a budget resolution by April 15.
- Hampered in part by fiscal cliff fears and Superstorm Sandy, the U.S. economy slowed substantially in 2012's final quarter. According to the initial estimate, gross domestic product contracted at an annual rate of 0.1%. That's dramatically lower than Q3's 3.1% growth, and is the first quarter of contraction since Q2 2009. A 22% decline in defense spending, lower state/local government spending, and reduced inventories and exports were major contributors to the contraction, according to the Commerce Department. The GDP figure is subject to two revisions over the next two months.
- The unemployment rate remained unchanged at 7.8%, according to the Bureau of Labor Statistics' January report for December 2012. The economy created 155,000 new jobs, roughly the same as its 2012 monthly average.
- As European unemployment hit a new record of 11.8%, the International Monetary Fund forecast 3.4% global growth in 2013 (2% in



the United States and a 0.2% contraction in Europe). However, it also said a European recovery could push global growth to 4.1% the following year.

- As Treasury Secretary Timothy Geithner departed, President Obama nominated White House chief of staff Jacob Lew to replace him. He also chose former federal prosecutor Mary Jo White to head the Securities and Exchange Commission and renominated the acting head of the Consumer Financial Protection Bureau, Richard Cordray.
- Sales of both new and existing homes fell in December, though both were up substantially from the year before and long-term trends continued to improve. The Department of Commerce said new home sales were down 7.3% for the month, while the National Association of Realtors® saw a 1% drop in December's home resales. Home prices in the 20 cities measured by November's S&P/Case-Shiller index also fell 0.1%; though prices were 5.5% higher than a year earlier, the index was still 30% below the market's 2007 peak. Meanwhile, an \$8.5 billion settlement with 10 mortgage servicers was expected to help speed review of a backlog of faulty mortgage foreclosures.
- Inflation remained tame at both the consumer and wholesale levels as falling gas prices helped offset increases in the cost of food and shelter. The Bureau of Labor Statistics said the annual consumer inflation rate for the last 12 months was 1.7%, while the wholesale rate was 1.3%.
- Retail sales rose 0.5% in December, in part because of strong auto sales, and were up 4.7% from a year earlier, according to the Commerce Department. Personal incomes jumped 2.6% in December, though one-time factors such as accelerated payment of corporate dividends and bonuses accounted for much of the increase. The personal savings rate also rose dramatically, going from 4.1% of disposable income in November to 6.5% in December; that's the highest savings rate since the spring of 2009.
- U.S. manufacturing bounced back from a November contraction. Industrial production was up 0.3% in December, and the Fed said it would have been higher if not for the weather. Also, the Institute for Supply Management's gauges of manufacturing and the services sector both showed continued expansion.

Eye on the Month Ahead

With the threat of a February Treasury default averted, investors will now focus on the upcoming budget debates and the sequestered spending cuts now scheduled to take effect March 1. Economic data will suggest whether the economy will shake off Q4's slump, as will the remaining weeks of earnings season.

Key dates and data releases: unemployment/payrolls, construction spending, U.S. manufacturing (2/1); factory orders (2/4); U.S. services sector (2/5); labor productivity/costs (2/7); international trade (2/8); retail sales, business inventories (2/13); industrial production, options expiration (2/15); wholesale inflation, housing starts, FOMC minutes (2/20); consumer inflation, home resales (2/21); new home sales, home prices (2/26); durable goods orders (2/27); 2nd estimate of Q4 GDP (2/28).

Data sources for non-equities performance: U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold, NY close); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. Equities data reflects price changes, not total return.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

IMPORTANT DISCLOSURESIRS Circular 230 Notice: Pursuant to Treasury Circular 230, the IRS requires us to advise you that to the extent that this message or any attachment/enclosure concerns tax matters, it is not written or intended to be used, and may not be used, for the purpose of avoiding federal tax penalties that may be imposed by law. The information presented here is not specific to any individual's personal circumstances. These materials are provided for general information and educational purposes based upon publicly available information from sources believed to be reliable—we cannot assure the accuracy or completeness of these materials. The information in these materials may change at any time and without notice.

