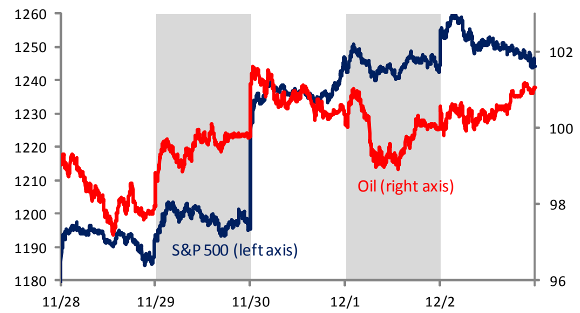
This Week In Review: A Week of 'Worsts' Followed By 'Bests'

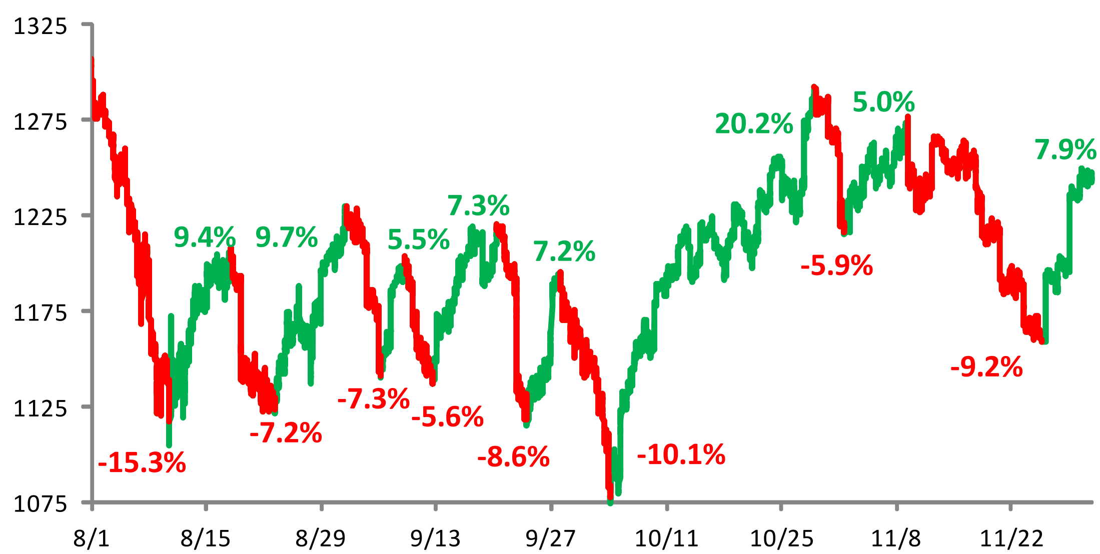
After the worst Thanksgiving week for the S&P 500 in history, US equities completely reversed this week and put in one of their best weeks in history and the best week since the bear market lows of the financial crisis in March 2009. At any other time in history, this kind of reversal would be considered monumental, but now it's just another day in the life of the drive-by market, where yesterday's big news is long forgotten and today's news is not far behind.

S&P 500 vs. Oil Intraday: 11/28 - 12/2



To better visualize just how crazy, or perhaps more accurately — broken — this market has become, look at an intraday chart of the S&P 500 going back to August. Since 8/1, the S&P 500 has seen eight declines of 5% or more and eight advances of 5% or more. Again, given the volatility we have had in recent months, many investors may have become immune to these types of moves, but to put it in perspective, there were periods in the 1990s where the S&P 500 went more than a year without more than one rally or decline of 5%. These days the market is seeing one about every 8 days!

S&P 500 Intraday: 8/1 - 12/1



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Whenever the market has a strong rally like the one we saw this week, it inevitably gets chalked up to short covering. The weakness behind this type of argument is that just about every rally, whether it is a fake out or 'the real thing' starts off with short covering. In fact, it is rare that the market rallies and the most heavily shorted stocks do not outperform. The other issue we take with calling this week's rally merely a short covering rally is because compared to most other rallies we have seen in the last several months, the margin of outperformance among the most heavily shorted stocks was less now than in the past.

On Thursday, we ran our decile analysis of the S&P 500 to see which stock characteristics were driving share prices higher. For those unfamiliar with this analysis, in it we break the index into deciles (10 groups of 50 stocks each) based on the various categories listed in the matrix below, and then we calculate the average performance of the stocks in each decile since the close last Friday.

For starters, the current rally has a number of characteristics that are typical of rallies. First, the smallest stocks in the index have outperformed the large caps. Second, stocks with the highest dividend yields have significantly underperformed stocks with low or no dividend yields. Finally, stocks with high short interest levels have outperformed stocks with low short interest, but as noted above, the difference is not as wide as it has been during prior rallies, which makes us think this isn't simply a "short-covering rally."

S&P 500 Decile Performance Since 11/25

	Decile 1	2	3	4	5	6	7	8	9	Decile 10
Market Cap (Largest to Smallest)	7.62%	8.26%	7.42%	6.96%	7.80%	7.69%	8.41%	8.42%	8.97%	10.14%
P/E Ratio (Lowest to Highest)	9.59%	9.29%	8.86%	7.83%	7.08%	6.95%	7.12%	7.85%	7.74%	9.34%
Dividend Yield (Highest to Lowest)*	6.23%	7.08%	7.19%	7.97%	7.99%	8.15%	8.84%	8.74%	9.76%	8.79%
Short Interest (Lowest to Highest)	6.60%	7.72%	8.10%	7.81%	8.39%	8.64%	8.16%	8.99%	8.53%	8.74%
Analyst Ratings (Best to Worst)	9.22%	9.03%	8.88%	8.42%	7.49%	8.01%	8.41%	7.38%	8.68%	6.15%
Institutional Ownership (Most to Least)	8.40%	9.46%	7.85%	8.58%	8.50%	7.96%	8.13%	8.01%	7.49%	7.29%
International Revenues (Most to Least)**	9.70%	8.87%	8.71%	8.26%	8.92%	8.43%	7.88%	7.62%	8.01%	7.46%
% Chg 10/28 to 11/25 (Best to Worst)	5.53%	6.33%	7.33%	7.49%	7.65%	8.07%	8.35%	8.93%	9.88%	12.12%

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Another 'typical' aspect of this week's rally is the fact that stocks that did the best this week were also down the most in the most recent market swoon (10/28—11/25). While it is normal to see this type of bottom feeding in rallies, the degree of it in the current rally is noteworthy.

The table below highlights the ten best and worst performing stocks in the S&P 500 this week (through noon on Friday). As shown, the ten best performing stocks in the index were up an average of 24%+ this week, and yet even after this week's gains, these stocks are still down more than 36% YTD. On the other end of the spectrum, the ten stocks that performed the worst this week were actually down an average of 1.25%, and yet they are still up nearly 2.5% YTD. Needless to say, many investors who just had a great week have done poorly year to date, while investors who may have missed this week's rally were already sitting on gains YTD.

Best & Worst Performing S&P 500 Stocks: Week of 12/2 (Through 12 PM)

Best Performers				Worst Performers			
		Performance (%)				Performance (%)	
Ticker	Name	Change This Week	YTD Change	Ticker	Name	Change This Week	YTD Change
ANR	Alpha Natural	33.00	-58.32	HSP	Hospira	-5.62	-49.04
WDC	Western Digital	31.80	-2.80	GLW	Corning	-2.65	-29.71
X	United States Steel	27.75	-51.30	TIF	Tiffany	-2.62	8.69
GNW	Genworth Financial	25.42	-48.55	KSS	Kohl's	-1.85	-6.42
NFX	Newfield Exploration	22.55	-34.50	BIG	Big Lots	-1.58	18.98
AKS	AK Steel Holding	21.59	-47.71	GR	Goodrich	0.05	39.16
FSLR	First Solar	21.53	-62.35	WPI	Watson Pharma	0.13	22.94
GT	Goodyear Tire & Rubber	20.79	21.60	GILD	Gilead Sciences	0.38	8.80
BTU	Peabody Energy	20.10	-38.47	MMI	Motorola Mobility	0.57	33.40
C	Citigroup	20.06	-40.02	CTL	CenturyLink	0.70	-22.14
	Average	**24.46**	**-36.24**		**Average**	**-1.25**	**2.47**

Getting back to the decile analysis of this week's rally, there were also some not so common traits to this week's rally. The most noteworthy of them concerned valuations. The two best performing deciles this week were the 50 stocks with the highest P/E ratios and the 50 stocks with the lowest P/E ratios. Normally when you see a strong move like we saw this week, it is the stocks with the high valuations that tend to do best.

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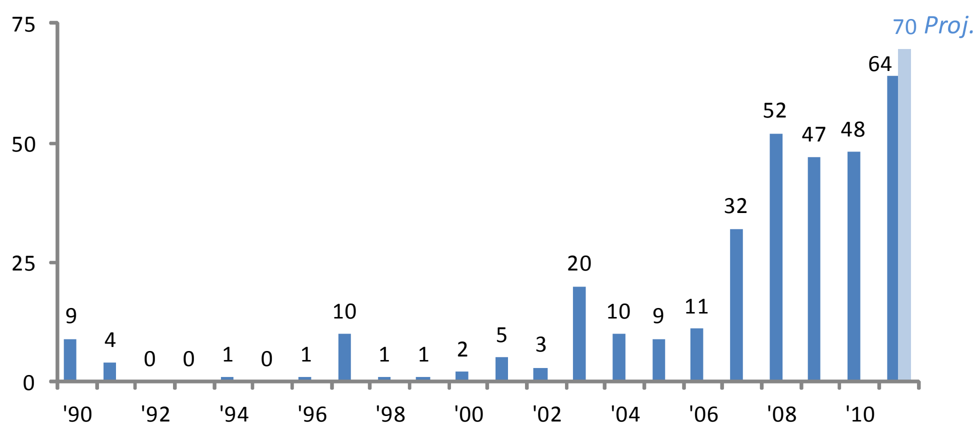
One last aspect of this week's crazy volatility concerns the total of all or nothing days. An all or nothing day is one where the net daily advance/decline (a/d) reading on the S&P 500 is +/- 400, and this week we saw two of them. This puts the year to date total at 64 and puts 2011 on pace to see 70 this year, which would exceed the prior record of 52 in 2008 by 34%. Furthermore, since the start of August when the market's volatility surged, half (44) of the 88 trading days have been all or nothing.

S&P 500 "All or Nothing" Days: 1990 - 2011



With a gain of 7.38%, the S&P 500 saw its tenth best week since WWII and only the 13th week in history where the S&P 500 gained more than 7.0%. Looking at those prior strong weeks, the S&P 500 declined an average of 0.3% the following week with gains seven out of 12 times (58%). Over the next month, the average returns improved to +3.5% with positive returns two-thirds of the time. This would indicate that even though Santa arrived early this year, he may just stick around.

S&P 500 Best Post WWII Weeks

	Performance (%)		
Date	**Week**	**Next Week**	**Next Month**
9/20/74	7.58	-7.41	3.05
10/11/74	14.12	1.60	5.30
8/20/82	8.83	3.62	8.43
10/8/82	7.44	1.92	8.48
8/3/84	7.38	1.89	2.67
10/16/98	7.32	1.35	6.56
6/2/00	7.20	-1.37	-1.53
9/28/01	7.78	2.92	6.12
3/21/03	7.50	-3.60	-0.25
10/31/08	10.49	-3.90	-7.48
11/28/08	12.03	-2.25	-2.62
3/13/09	10.71	1.58	13.22
12/2/11	7.39		
Average		**-0.30**	**3.50**

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One of the main catalysts for this week's rally was the coordinated actions by the Federal Reserve, the ECB and Bank of England to lower dollar swap rates in an effort to boost liquidity for European banks. This news came after the decision by China's Central bank to reverse course and cut reserve requirements, and before a strong batch of US economic data. As shown in our matrix of key ETF performance, while US stocks rallied sharply, international ETFs saw even larger gains with Australia leading the pack with a gain of 13.1%. The central bank actions also bought some time for EU officials to address their problems, giving investors the green light to buy. On the week Italy, France, and Germany all saw gains in excess of 12%. But even on a global basis, this week's rally was a bottom feeder's rally as the countries that saw the largest gains are al still down in excess of 10% on the year.

Key ETF Performance (%)

US Related

ETF	Description	This Week	This Quarter	This Year
SPY	S&P 500	7.93	10.97	-0.15
DIA	Dow 30	7.42	10.58	4.18
QQQ	Nasdaq 100	7.57	8.37	4.45
IJH	S&P Midcap 400	9.13	13.71	-2.22
IJR	S&P Smallcap 600	10.74	15.92	-0.89
IWB	Russell 1000	8.07	11.16	-0.49
IWM	Russell 2000	10.91	14.91	-5.57
IWV	Russell 3000	8.26	11.31	-0.89
NYC	NYSE Comp	8.27	8.89	-5.47
IVW	S&P 500 Growth	7.52	10.68	3.24
IJK	Midcap 400 Growth	9.28	12.62	0.46
IJT	Smallcap 600 Growth	10.34	15.53	2.59
IVE	S&P 500 Value	8.53	11.30	-3.66
IJJ	Midcap 400 Value	9.11	15.00	-4.47
IJS	Smallcap 600 Value	11.17	16.31	-4.24
DVY	DJ Dividend	6.29	8.91	5.38
RSP	S&P 500 Equalweight	8.51	12.60	-1.47
FXB	British Pound	0.96	-0.03	-0.69
FXE	Euro	1.15	-0.04	0.25
FXY	Yen	-0.28	-1.10	3.82
XLY	Cons Disc	7.98	12.54	4.87
XLP	Cons Stap	4.71	7.22	8.50
XLE	Energy	10.86	20.94	3.68
XLF	Financials	10.65	10.37	-18.28
XLV	Health Care	6.72	6.65	7.43
XLI	Industrials	8.76	15.98	-2.81
XLB	Materials	8.69	16.30	-11.12
XLK	Technology	7.58	9.45	2.54
IYZ	Telecom	7.35	3.13	-10.02
XLU	Utilities	4.28	3.69	11.23

Global

ETF	Description	This Week	This Quarter	This Year
EWA	Australia	13.09	16.70	-7.98
EWZ	Brazil	10.51	15.38	-22.47
EWC	Canada	9.38	7.10	-11.94
FXI	China	9.66	18.55	-15.18
EWQ	France	12.65	7.03	-16.61
EWG	Germany	12.57	11.77	-14.70
EWH	Hong Kong	5.76	10.78	-16.09
INP	India	9.93	-0.58	-31.08
EWI	Italy	12.83	7.32	-22.16
EWJ	Japan	6.05	-0.90	-14.07
EWW	Mexico	11.07	12.57	-10.96
RSX	Russia	10.71	20.51	-19.57
EWU	UK	9.00	10.70	-5.87
EFA	EAFE	9.78	6.72	-12.42
EEM	Emerging Mkts	10.55	13.72	-16.23
IOO	Global 100	8.90	8.86	-6.26
EEB	BRIC	9.29	10.97	-17.36
DBC	Commodities	3.92	7.51	0.49
USO	Oil	4.47	27.32	-0.46
UNG	Nat. Gas	-1.75	-12.49	-34.24
GLD	Gold	4.01	7.53	22.52
SLV	Silver	5.07	9.75	5.14
SHY	1-3 Yr Treasuries	-0.04	-0.10	0.60
IEF	7-10 Yr Treasuries	-0.64	-0.99	10.88
TLT	20+ Yr Treasuries	-2.13	-2.13	25.62
AGG	Aggregate Bond	-0.13	-0.56	3.54
BND	Total Bond Market	-0.40	-0.49	3.81
TIP	T.I.P.S.	0.09	2.21	8.66

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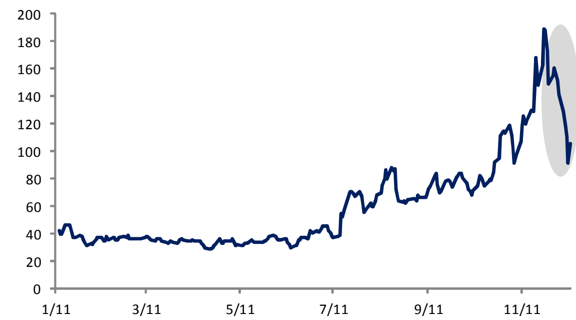
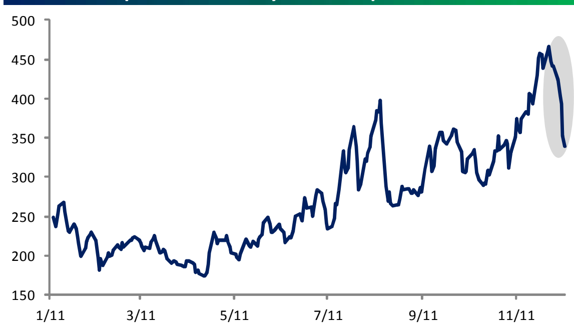
The key reason why European markets were able to rally was because spreads of their sovereign debt relative to Germany took a breather and narrowed this week. Closing out the weeks, spreads in Italy, France, and Spain are all now well off their highs in a week where these countries were able to successfully sell debt in the open market. This is a far cry from last week, where even Germany ran into trouble when it failed to sell 35% of its planned 10-year Bunds in an auction.

Italy vs. Germany 10-Year Spread: 2011

France vs. Germany 10-Year Spread: 2011



Spain vs. Germany 10-Year Spread: 2011



Greece vs. Germany 10-Year Spread: 2011

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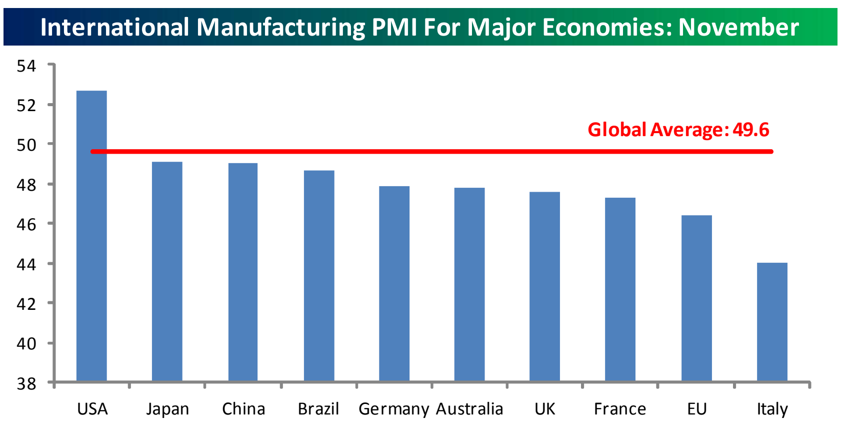
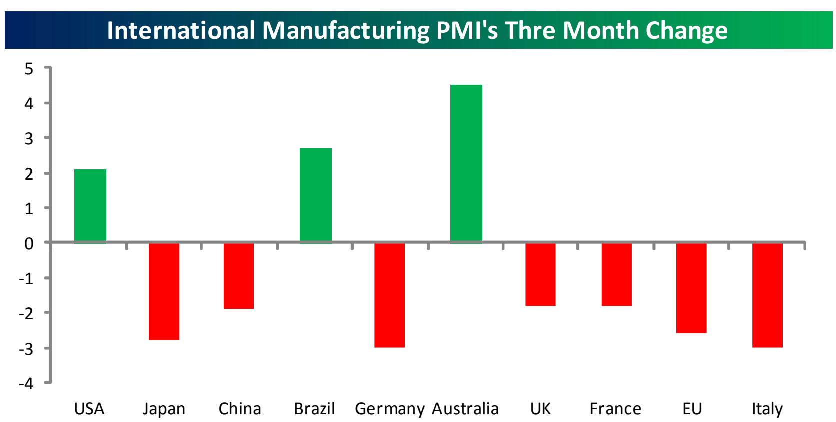
While the European debt crisis seems to control markets on a day to day basis, the daily headlines are overshadowing what is probably the most overlooked macro trend of 2011, and that is a shift of economic leadership from the rest of the world back to the United States. While the rest of the world has been stumbling, the US economy has been slowly drifting higher.

Just look at the last week. In Europe, global central banks launched a coordinated effort to bail out Europe. In China, the central bank announced its first cut in reserve requirement in three years. Finally, in Brazil, that country's central bank announced its third straight cut in rates. At the same time, we saw several reports indicating that US growth is improving.

One way to illustrate this is by looking at the Manufacturing PMI indices for major global economies. Like our ISM Manufacturing Index, readings above 50 indicate economic growth, while readings below 50 indicate economic contraction. For the month of November, the global weighted average was 49.6, and the US was the only major economy shown where the Manufacturing PMI was above 50! In the lower most chart, we also highlight the three month change, and here again the US was only one of three countries where the PMI is higher now than it was three months ago.





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This week saw a heavy dose of economic data, and relative to expectations, the results were mixed. Of the 21 reports released, 10 were better than expected, nine were weaker, and two were inline. The biggest surprise this week was Consumer Confidence, which rebounded to a level of 56 relative to last month's reading of 40.90. Relative to expectations (44), this month's report was the sixth biggest surprise going back to 1999.

Economic Scorecard: Week of 12/2

Date	Release	Estimate	Actual	Difference
11/28	New Home Sales ('000s)	315	307	-8
11/28	Dallas Fed	5.0	3.2	-1.8
11/29	Consumer Confidence	44.0	56.0	12.0
11/29	House Price Index	-0.1	0.9	1.0
11/30	ADP Employment ('000s)	130	206	76
11/30	Non Farm Productivity	2.5	2.3	-0.2
11/30	Unit Labor Costs	-2.1	-2.5	-0.4
11/30	Chicago PMI	58.5	62.6	4.1
11/30	Pending Home Sales	2.0	10.4	8.4
11/30	NAPM Milwaukee	56.0	56.7	0.7
12/1	Initial Claims ('000s)	390	402	12
12/1	Continuing Claims ('000s)	3650	3740	90
12/1	Construction Spending	0.3	0.8	0.5
12/1	ISM Manufacturing	51.8	52.7	0.9
12/1	ISM Price Paid	45.0	45.0	0.0
12/1	Total Vehicle Sales (mln)	13.4	13.6	0.2
12/2	Non Farm Payrolls ('000s)	125	120	-5
12/2	Private Payrolls ('000s)	150	140	-10
12/2	Unemployment Rate	9.0	8.6	-0.4
12/2	Average Hourly Earnings	0.2	-0.1	-0.3
12/2	Average Weekly Hours	34.3	34.3	0.0

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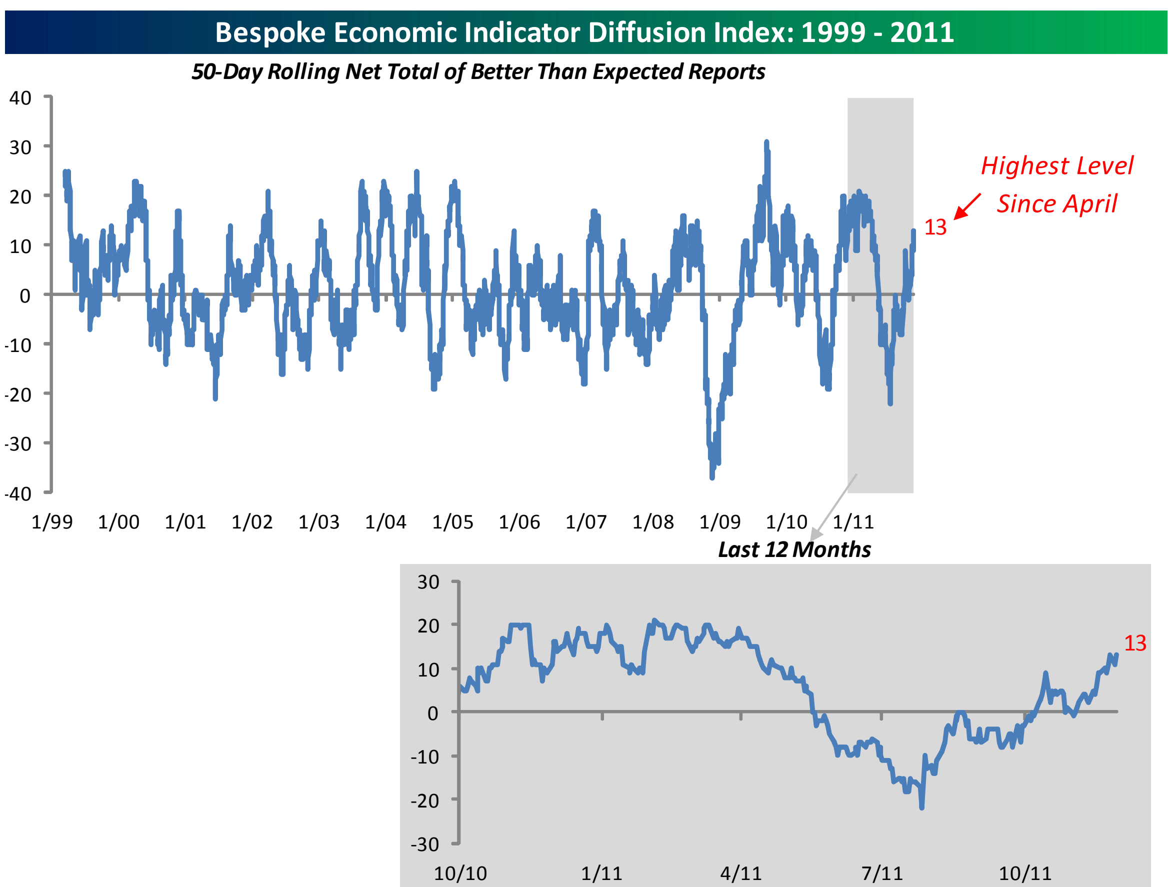
The trend of stronger than expected data has led to further improvement in our *Economic Indicator Diffusion Index*. This index (shown below) measures the pace at which indicators are coming in ahead of (or below) estimates over a 50-day period, and it provides a nice illustration of how the economy is playing out compared to expectations. Positive readings indicate an economy surprising to the upside, while negative readings are representative of an economy failing to live up to expectations.

Although the weakness of the S&P 500 in early November erased much of the gains seen in October, the culprit was not weak economic data in the US. As shown in the chart below, the majority of reports have been coming in better than expected.

Over the last fifty trading days, the number of better than expected economic reports has exceeded weaker than expected reports by 13. This is the highest level since April, and represents an environment where economists have been underestimating US economic growth amid all global issues. While global markets are more interconnected than ever, up until this week the high correlation between markets was causing a divergence between market action and US economic activity. With this week's strong rally in equities, some of that divergence has now been erased.



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While recent economic data has been exceeding expectations, it has also been showing steady improvement. Earlier this week, we published our *Matrix of Economic Indicators* which was showing steady growth, but after this week's positive data, the matrix is looking even more positive.

The table below summarizes the y/y change (unless otherwise noted) in economic indicators by category. We also highlight each release to show if the report got better (green) or worse (red) since the last report.

Category / Indicator	Year/Year Change (Unless Otherwise Noted)											
	Most Recent Report →											One Year Ago
Manufacturing/Output												
ISM Manufacturing (actual)	2.70	0.80	1.60	0.60	0.90	5.30	3.50	10.40	11.20	11.40	10.80	8.50
ISM Services (actual)	3.80	7.10	5.60	6.10	3.40	3.60	3.70	9.70	16.90	14.60	12.90	9.40
Industrial Production	3.92	3.10	3.45	3.65	3.38	3.44	4.51	5.31	5.16	5.75	6.74	6.02
Capacity Utilization	2.77	2.11	2.52	2.92	2.95	3.23	4.64	5.77	5.96	6.95	8.47	7.98
Durable Goods	7.46	4.26	12.57	9.53	8.74	9.34	6.67	14.23	7.89	9.38	11.96	15.02
Durable Goods ex Tran	11.70	7.14	7.76	9.93	7.87	7.59	8.43	8.31	9.86	13.27	16.10	15.22
Nominal GDP	3.94			3.77			4.13			4.74		
Real GDP	1.51			1.63			2.24			3.14		
Employment												
Jobless Claims (actual)	402	400	405	417	399	408	420	414	404	394	384	443
Jobless Claims (4 Wk Avg)	396	405	415	416	406	424	426	440	399	391	405	428
ADP Employment	1.73	1.65	1.61	1.52	1.50	1.43	1.34	1.35	1.29	1.14	0.96	0.73
Non Farm Payrolls	1.23	1.21	1.27	1.08	0.96	0.82	0.66	0.97	1.02	1.02	0.81	0.73
Average Hourly Earnings	1.56	1.51	1.83	1.78	2.15	1.99	2.05	2.05	2.06	2.06	2.12	2.02
Average Workweek (actual)	33.60	33.70	33.60	33.50	33.60	33.60	33.60	33.60	33.60	33.60	33.40	33.50
Unemployment Rate (actual)	8.60	9.00	9.10	9.10	9.10	9.20	9.10	9.00	8.80	8.90	9.00	9.40
Challenger Job Cuts	-12.80	12.57	211.51	47.01	59.36	5.27	-4.32	-4.79	-38.58	20.46	-46.11	-29.03
Housing												
Building Permits	16.04	4.80	8.70	4.52	5.47	4.64	-10.92	-16.57	-18.47	-10.69	-5.12	-9.47
Housing Starts	16.51	5.53	-3.47	11.82	14.10	-4.66	-20.09	-5.27	-14.10	3.41	-9.47	-6.29
New Home Sales	8.87	-4.11	5.40	5.73	-1.30	9.61	-24.76	-20.78	-18.31	-10.40	-5.97	-23.47
Existing Home Sales	13.47	11.11	19.34	20.98	-7.46	-15.32	-13.79	-6.43	-1.99	6.09	-4.04	-28.51
Pending Home Sales	9.12	6.42	7.65	14.41	19.76	13.41	-26.37	-12.81	-9.50	-1.55	-2.76	-6.06
Monthly Supply	-25.88	-16.88	-24.72	-24.44	-19.51	-29.35	6.45	0.00	-2.50	-11.11	-13.75	7.89
NAHB Homebuilder Index	25.00	13.33	7.69	15.38	7.14	-18.75	-27.27	-15.79	13.33	-5.88	6.67	0.00
Case Shiller 20 Market Price	-3.59	-3.78	-4.14	-4.41	-4.49	-4.23	-3.96	-3.45	-3.10	-2.39	-1.66	-0.86
Inflation												
CPI	3.56	3.90	3.76	3.59	3.43	3.44	3.13	2.70	2.16	1.66	1.39	1.05
Core CPI	2.10	1.97	1.95	1.76	1.64	1.51	1.34	1.19	1.09	0.95	0.65	0.65
PPI	6.13	7.05	6.51	7.17	6.83	6.76	6.47	5.57	5.61	3.69	3.84	3.29
Core PPI	2.81	2.52	2.47	2.53	2.30	2.07	2.19	1.97	1.85	1.62	1.39	1.22
PCE	2.66	2.94	2.88	2.77	2.63	2.59	2.36	2.05	1.81	1.49	1.37	1.17
Core PCE	1.65	1.64	1.66	1.57	1.42	1.31	1.18	1.04	1.10	1.04	0.93	0.97
Import Prices	11.01	12.89	12.89	13.74	13.58	12.94	11.90	10.29	7.55	5.64	5.31	4.11
Import Prices ex Petrol.	4.76	5.50	5.51	5.43	5.15	4.68	4.60	4.26	3.62	2.99	2.64	2.84
Consumer												
Consumer Confidence	-3.15	-18.04	-4.53	-15.04	16.08	6.08	-1.59	14.38	21.99	55.17	14.69	18.28
Michigan Confidence	-10.47	-10.04	-12.90	-19.16	-6.05	-5.92	0.95	-3.32	-8.29	5.30	-0.27	2.76
Personal Income	3.86	4.04	3.96	4.58	4.93	4.97	5.43	5.94	5.96	5.62	5.15	5.27
Personal Spending	4.67	5.22	4.80	5.22	4.69	4.86	4.92	4.74	4.74	4.41	4.20	4.41
Retail Sales	7.25	7.95	7.54	8.48	8.24	7.87	7.18	7.53	9.07	8.03	7.59	7.50
Retail Sales ex Autos	7.30	7.73	7.93	8.53	8.13	8.06	6.67	6.85	6.67	6.40	6.13	6.28
Auto Sales	13.61	7.13	10.06	7.29	0.65	6.74	-4.03	17.61	16.55	26.91	16.98	11.14
Chain Store Sales	3.99	2.99	3.71	2.66	3.64	5.50	2.42	3.21	3.04	3.00	2.98	2.79
Total	12	-2	1	9	5	9	-13	-9	0	10	14	-1

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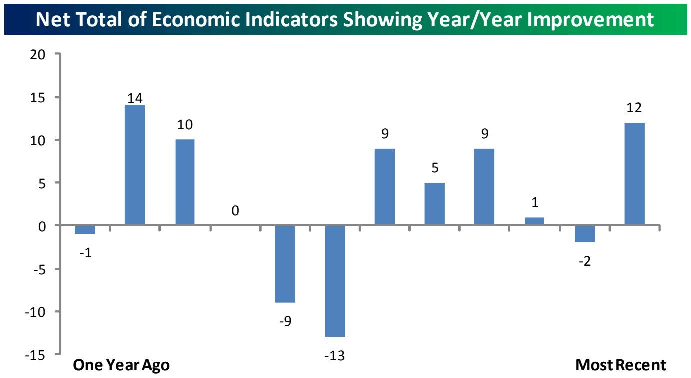
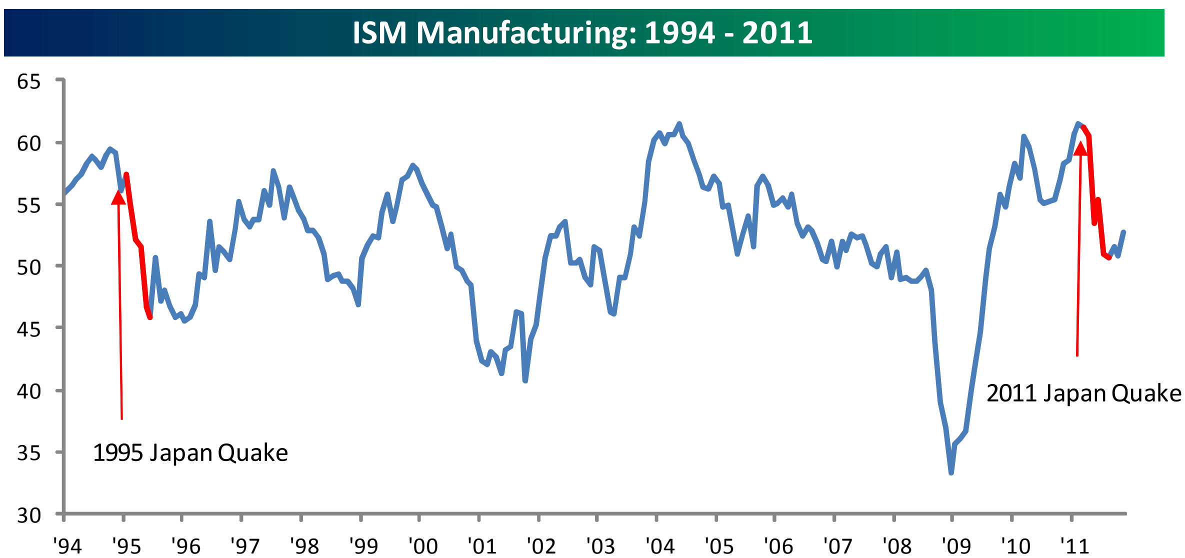
Totaling up all the indicators showing improvement and then subtracting each indicator that showed weakness, the most recent month of data shows that twelve indicators showed improvement, which is the second best reading we have seen in the last year.



Back in the spring, when economic data first began to show weakness, we compared that weakness to the weakness that we saw in US economic data following the 1995 Kobe quake. Given the fact that Japan is one of the largest economies in the world, coupled with the fact that the global economy was more interconnected than ever, we argued that it would be impossible for the quake not to have an impact on the US economy, but just as was the case in 1995, it would be temporary. If we look at changes to the ISM Manufacturing Index in each period, there are some striking similarities. In both periods, the earthquake coincided with a short-term high followed by a sharp decline in the months following the quake. In 1995, however, that decline was short lived and within months the index was back on the rise. Based on the last couple of months of data, it once again looks like the ISM is trying to rebound after the initial shock of the quake.



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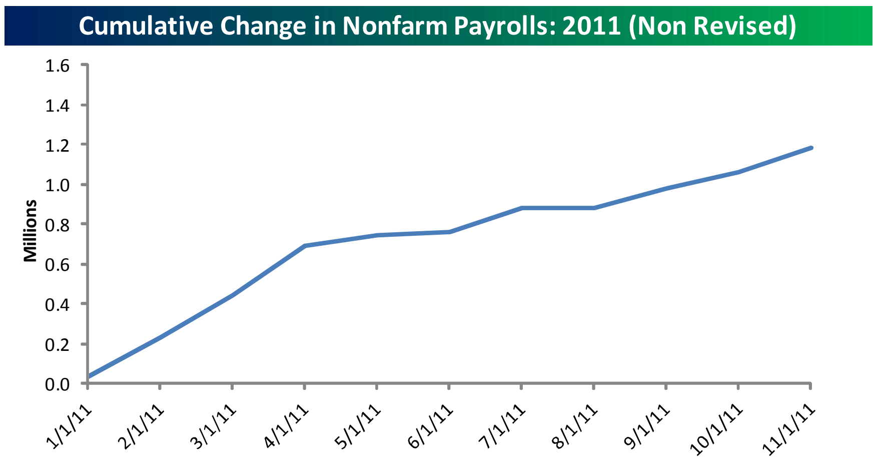
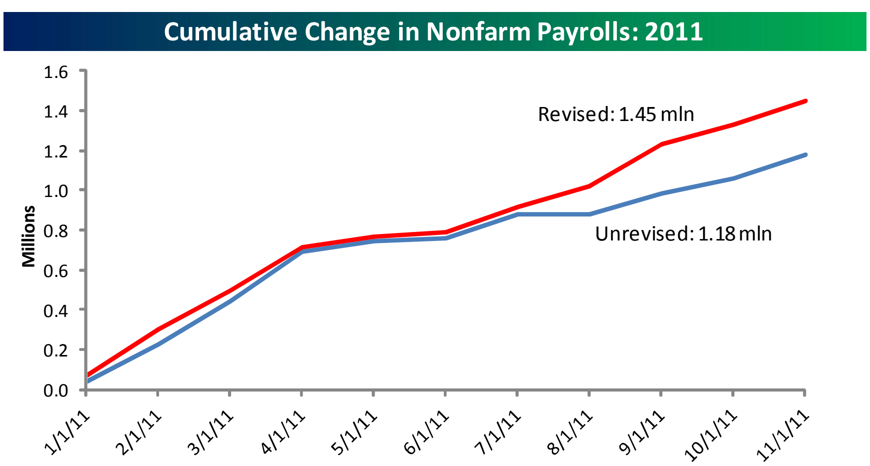
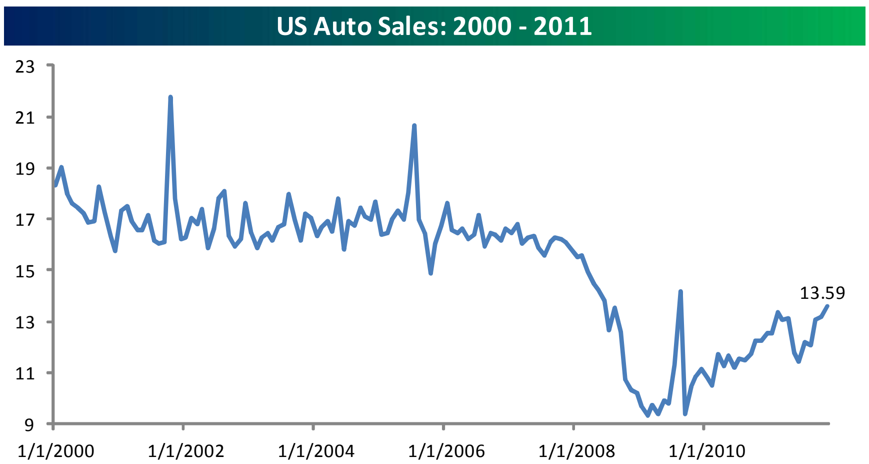
There were at least two notable aspects of this week's economic data that bear mentioning. The first regards employment. While the monthly non-farm payrolls reports haven't exactly been headline worthy, they have seen pretty significant upward revisions which often tend to get lost in the mix of things. The chart below shows the cumulative monthly change in non-farm payrolls using the unrevised monthly number. Based on this measure, the total number of jobs created this year works out to 1.18 million.



After taking the monthly revisions into account, however, the total number of jobs created so far this year increases by 260K (22%) to 1.48 million. In dollar terms this works out to about $11 billion on an annualized basis.



Another impressive aspect of this week's rally was the strength in auto sales. It's hard to believe that the economy is in a fragile state after looking at Thursday's US auto sales totals for the month of November. On a seasonally adjusted annualized rate, sales rose to 13.59 mln, which is the highest total since the 'cash for clunkers' program in the Summer of 2009. Outside of that one month in August 2009, you have to go back to June 2008 to find a higher monthly reading. Strength in auto sales is encouraging for two reasons. First, it is a big purchase so if consumers have the confidence to make a big purchase, it is a sign of increased confidence. Secondly, since most car purchases involve some degree of credit, strong sales totals indicates that credit may in fact be loosening.



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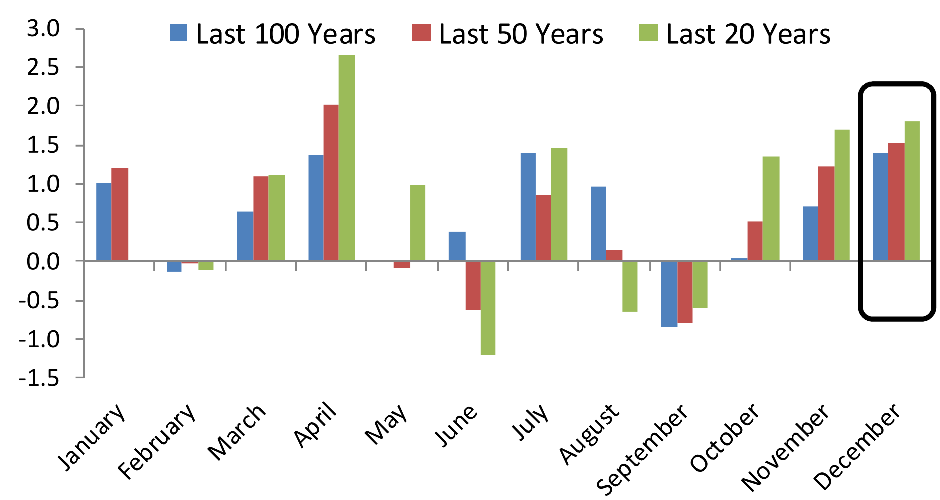
With US economic data providing a positive backdrop, we would expect that the rest of the year will follow the seasonal pattern and finish on a positive note. As we do each month, below we take a look at stock market seasonality by providing the Dow's historical average returns by month. They don't say "It's the Most Wonderful Time of the Year" for no reason, right? Maybe it comes from the fact that the month of December has been the best month for the Dow over the last 100 years with an average gain of 1.39% and positive returns a whopping 73% of the time. Over the last 50 and 20 years, December has been the second best month for the Dow with an average gain of 1.51% and 1.80%, respectively.

Average Monthly % Change for the DJIA

Month	Last 100 Years	% Positive	Last 50 Years	% Positive	Last 20 Years	% Positive
January	1.01	63%	1.20	64%	0.00	60%
February	-0.12	52%	-0.03	54%	-0.10	60%
March	0.65	60%	1.09	66%	1.12	65%
April	1.36	57%	2.02	62%	2.65	65%
May	0.02	53%	-0.09	48%	0.99	60%
June	0.38	49%	-0.63	44%	-1.21	35%
July	1.40	61%	0.87	56%	1.46	70%
August	0.97	62%	0.15	60%	-0.65	60%
September	-0.83	42%	-0.79	38%	-0.60	50%
October	0.05	59%	0.51	62%	1.36	70%
November	0.72	61%	1.22	64%	1.70	65%
December	1.39	73%	1.51	68%	1.80	70%

Average Monthly % Change for the DJIA



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This month we took our seasonality analysis a step further and looked at the historical performance of the major groups during the month. In a year where a larger than average percentage of managers are underperforming the market, managers will be looking for alpha wherever they can.

Going back to 1990, the S&P 500 has averaged a December return of 2.02% with positive returns 81% of the time. Within the index, the best performing group has surprisingly been Health Care Equipment and Services (3.75%), followed by Capital Goods (3.22%), Commercial Services (3.16%), and Media (3.08). No group has averaged negative returns in December going back to 1990, but the ones with the lowest overall average returns have been Tech Hardware (0.54%), Semiconductors (0.57%), and Transportation (1.17%). The underperformance of Tech related groups will come as somewhat of a surprise to many given that these groups are often recommended as the groups to be in for a year end rally.

In terms of consistency, while every group has been positive in December at least half of the time, HC Equip and Services is the only group that has seen positive returns more often than the S&P 500 (85.7%). The group has also been positive during December in each of the last eight years.

S&P 500 Industry Groups Average December Return: 1990 - 2010

Group	Average Performance (%)	Percent of Years Positive	Outperforms S&P 500
HC Equip & Svcs	3.75	85.7	76.2
Capital Goods	3.22	81.0	81.0
Commercial Services	3.16	81.0	57.1
Media	3.08	66.7	61.9
Insurance	2.96	66.7	52.4
Div. Financials	2.75	76.2	52.4
Materials	2.75	66.7	47.6
Hhold & Pers Prod.	2.54	76.2	52.4
Utilities	2.53	81.0	52.4
Consumer Services	2.44	76.2	52.4
Telecom Services	2.29	71.4	57.1
Real Estate[1]	2.08	60.0	40.0
S&P 500	2.02	81.0	n/a
Energy	1.96	57.1	42.9
Consumer Durables	1.94	66.7	57.1
Software & Services	1.89	52.4	42.9
Banks	1.85	66.7	52.4
Food & Staples Retail	1.81	61.9	47.6
Food Bevg & Tobacco	1.59	76.2	52.4
Drugs & Biotech	1.37	66.7	47.6
Autos & Parts	1.33	61.9	38.1
Retailing	1.28	52.4	33.3
Transportation	1.17	66.7	33.3
Semiconductors	0.57	57.1	52.4
Tech Hardware	0.54	57.1	38.1

[1] *Begins in 2001*

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B.I.G. Tips 12/2/11

It may sound hard to believe, but even after one of the best weeks in the post WWII period, the S&P 500 is currently in neutral territory, and the only sector that is overbought is Consumer Staples. But that's what happens when the market sees wild swings in both directions. We have said it before but it warrants repeating, this kind of trading is a lot of sound and fury signifying nothing. Who would have thought that in a year where day to day volatility has never been greater, the S&P 500 would be down just 1% for the year!

Looking ahead, we expect positive economic data in the US and positive seasonal factors to provide a good backdrop for equities over the remainder of 2011. The path will be anything but smooth, however, as the market will likely be dodging a near daily barrage of headlines coming out of Europe. Ideally, we need to see the S&P 500 finally break above its 200-DMA which is a level it has had trouble trading above three times since October.

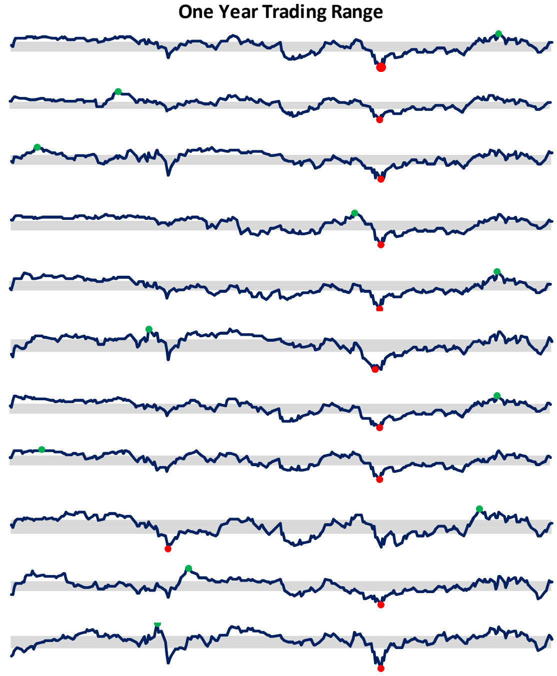
Have a great weekend.

S&P 500: Last Six Months

S&P 500 Sector Trading Ranges: 12/2/11

Sector	Overbought/ Oversold	Correlation with S&P 500	Dates: Most Oversold	Dates: Most Overbought
S&P 500	N	-	8/8/11	10/27/11
Cons. Discret.	N	0.89	8/8/11	2/11/11
Cons. Staples	OB	0.34	8/8/11	12/17/10
Energy	N	0.93	8/8/11	7/21/11
Financials	N	0.85	8/8/11	10/27/11
Health Care	N	0.65	8/4/11	3/3/11
Industrials	N	0.98	8/8/11	10/27/11
Materials	N	0.94	8/8/11	12/21/10
Technology	N	0.83	3/16/11	10/14/11
Telecom Svcs	N	0.83	8/8/11	3/30/11
Utilities	N	-0.05	8/8/11	3/9/11

One Year Trading Range



Normal Trading Range ● Most Oversold Reading ● Most Overbought Reading

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Bespoke Model Portfolio: 12/2/11

Stock	Company	Current Price	Portfolio Weight (%)	Entry Price	Stop Price	Date Added	% Change
Consumer Discret.			**22.6**				
LULU	Lululemon	49.69	4.5	57.77	39.90	9/8/11	-14.0
PII	Polaris	61.53	6.0	54.16	44.25	9/8/11	13.6
UA	Under Armour	81.84	5.9	71.80	49.90	9/8/11	14.0
VFC	VF Corp	138.57	6.2	118.65	96.90	9/8/11	16.8
Consumer Staples			**5.3**				
CHD	Church & Dwight	43.93	5.3	43.02	34.80	9/8/11	2.1
Energy			**5.6**				
XOM	Exxon Mobil	79.79	5.6	73.87	64.90	9/8/11	8.0
Financials			**0.0**				
Health Care			**0.0**				
Industrials			**15.8**				
GE	General Electric	16.09	4.8	16.41	14.20	8/5/10	-2.0
TGI	Triumph Group	58.13	6.0	50.67	41.90	9/8/11	14.7
WCN	Waste Connection:	32.65	5.0	34.30	27.80	9/8/11	-4.8
Materials			**0.0**				
Technology			**5.4**				
AAPL	Apple	389.70	5.4	387.14	295.00	9/8/11	0.7
Telecom Services			**0.0**				
Utilities			**0.0**				
ETFs			**0.0**				
Cash			**45.3**				

Performance (%):

	Since Inception[1]	YTD
S&P 500	**-18.0**	**-1.1**
Model Portfolio	**7.4**	**-5.0**
vs. S&P 500	**25.4**	**-3.9**

= Recently Added

= Changed Stop Price

[1] *Bespoke's Model Portfolio began with an initial value of $100,000 on 5/29/07.*

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