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Volatility aside, the three major stock indexes all finished the week pretty much where they started, falling or rising by less than one percentage point. There was one significant change, however: the Dow and the dollar rose together as some analysts and investors came to believe that the previous week's good news about the jobless rate would induce the Federal Reserve to raise its overnight rate sooner than expected, perhaps as early as June. The Fed's low rate has helped fuel the stock market's rally as many investors have abandoned the dollar, less lucrative when interest rates are low, for riskier bets.

On Tuesday, President Obama unveiled his plans for job creation at the Brookings Institution in Washington saying, "Even though we've reduced the deluge of job losses to a relative trickle, we are not yet creating jobs at a pace to help those families who've been swept up in the flood." Part of his plan hinged on the fact that the Troubled Asset Relief Program (TARP), of which he said, "There has rarely been a less loved or more necessary emergency program," stands to have an unexpected balance of some \$200 billion (not that long ago there was the possibility that more money would be have to be added to the \$700 billion program, created by President George Bush in October of 2008). The president said he hoped "to shift funds that would have gone to Wall Street to help create jobs on Main Street," by loaning it to small businesses. His plan also included a business tax credit for new hires, an additional \$50 billion for infrastructure spending, using some of the remaining stimulus money for public works

	Key Market Data		
	Week ending...		
	12/11/09	12/4/09	Change
Dow Jones Industrial Average Index	10,471.50	10,388.90	+0.80%
S&P 500 Index	1,106.41	1,105.98	+0.04%
NASDAQ Composite Index	2,190.31	2,194.35	-0.18%
10-Year Treasury Note Rate	3.540%	3.483%	+0.057 pct. pts.
NYMEX Crude Future (Barrel)	\$69.87	\$75.47	-7.42%
Euro/U.S. Dollar	\$1.4629	\$1.4846	-\$0.0217

projects, and tax incentives for homeowners who want to make their homes more energy efficient ("cash for caulkers"). Finally, he wants the \$100 billion needed to extend unemployment insurance and health benefits for the long-term unemployed.

Looking ahead, any expensive progress on the job-creation front is going to be difficult given the many variables at play, including: the federal budget deficit; the 2010 midterm elections; how much, if any, of the TARP money can be redirected, given the original legislative mandate; and the fact that, despite the unemployment rate of 10%, only 11,000 jobs were lost in November, a far cry from the peak of 700,000 at the height of the recession. On the plus side of the ledger, thanks to the money unspent and repaid, TARP is expected to now cost taxpayers \$141 billion over the next ten years as opposed to the \$341 billion projected as recently as August.

The Commerce Department said that sales at U.S. wholesalers rose 1.2% from September to October to a seasonally adjusted \$326.2

billion and, in even better news, that wholesale inventories were up 0.3% to \$379.6 billion after 13 straight monthly declines, a sign that businesses are finally starting to restock their shelves.

The Commerce Department also reported that retail sales were up a seasonally adjusted 1.3% in November, nearly twice the expected gain, and a promising sign for holiday spending. Sales increased 1.9% from the lows of November of last year, the first year-to-year rise since August of 2008, though they were down 3.7% from November of 2007.

The trade deficit in October fell 7.6% to \$32.9 billion thanks to an increase in exports, abetted by the weaker dollar, and a falloff in demand for foreign oil. Exports rose 2.6% compared to a 0.4% improvement in imports. As a result, analysts adjusted their estimates for fourth quarter gross domestic product growth up as high as 4%.

Consumer lending fell \$3.51 billion in October to an annual rate of 1.7% (or \$2.48 trillion), the ninth consecutive monthly decline, underscoring how consumers are not only reluctant to borrow, but also how much harder it is for them to get the financing that helps fuel economic growth. Meanwhile, thanks to rising equities, the net worth of U.S. households rose 5% to \$53.4 trillion in the third quarter, the Fed reported, the second quarterly increase in a row (household debt peaked at about \$65 trillion in 2007). Underscoring the consumer lending figures, household debt contracted at 2.6%, the largest decline on record, as mortgage and credit card borrowing fell. The Organization for Economic Cooperation and Development (OECD) reported that its composite leading indicator (CLI) for the United States climbed one point in October to 99.8, its highest mark since July of 2008 and within a hair's breadth of the long-term average of 100. The CLI, a key indicator of ongoing economic growth, is up 3.9 points year-to-year and has risen at least one point

for six months straight, its best streak since May of 1983. France, Italy, Germany, the United Kingdom, and Japan also registered increases of at least one point, indicating that the global recovery may be taking hold.

At week's end, the Reuters/University of Michigan consumer confidence improved for the first time in three months, up to 73.4 in early December from 67.4 in November, perhaps boosted by the recent dip in the jobless rate.

The broader view

'Tis the season, and Wall Street is closing in on the annual giving of bonuses, which have the potential to be enormous this year given how far banks and investment firms have rebounded. In anticipation, governments in the United States and abroad have begun to mobilize to head off the public outcry that would no doubt ensue in the wake of outsized rewards, given the fact that one in ten Americans is out of a job and that many of those firms are only alive and well thanks to taxpayer dollars.

On Wednesday, Britain fired the first salvo, saying it would assess a one-time 50% tax on banker bonuses of more than £25,000 (\$40,700) which would affect not only British banks, but the London subsidiaries of Wall Street firms as well. France soon followed suit and said it would levy a similar one-time tax, and Germany's Chancellor Angela Merkel said she liked the idea but owned that it would be complicated from a legal standpoint.

Then on Thursday, Goldman Sachs took what it hopes will be a preemptive step by announcing that its 30 most senior executives would forego cash bonuses and instead get stock which could not be redeemed for five years (but could end up being worth far more than a cash bonus this year). Goldman has set by as much as \$20 billion for bonuses this year, a record. The Treasury department's "pay czar," Kenneth Feinberg had already capped

salaries of the top executives at firms still owing TARP money, and on Friday he limited the compensation of another 30 employees at four firms still getting TARP money, AIG, Citigroup, GM, and GMAC. Indeed, part of the reason Bank of America sold stock to pay off its TARP debt on Wednesday was to avoid the oversight on pay it saw as limiting, not to mention the marketplace stigma of being propped up by the government. Now only its top executives are subject to pay restraints and only for this year. Two of the firms that still owe billions, Citigroup and Wells Fargo, and both are trying to escape TARP as well, but will have to convince the government they have enough capital on hand before doing so.

Finally, on Friday the House approved a Democratic plan to tighten federal regulation of the financial world by a 223-202 vote, with every Republican voting against it, along with 27 Democrats. The bill would create a Consumer Financial Protection Agency, permit an arm of Congress to oversee the monetary policymaking of the Fed, set new rules for sophisticated trading tools such as derivatives which are seen by some as having fueled the financial crisis, and take

steps to head off the failure of large banks and investment firms whose collapse could lead to financial disaster by having those firms pay as much as \$150 billion into a fund against future failure. Despite the hand-wringing on Wall Street and the unrestrained censure of the GOP, the odds of anything happening anytime soon are long; the bill will not come before the Senate until next year and that body has a very different version in mind, as does the White House. In the end, the House's bill may be more of a concession to Americans who still see the government as rushing to the aid of Wall Street while leaving them to fend for themselves.

A look ahead

This week, there will be updates on the Consumer Price Index (CPI), leading indicators, and the state of real estate by way of reports on building permits and housing starts. The main event will come on Tuesday and Wednesday as the Federal Open Market Committee will meet for two days and then issue a release that will be pored over for clues about the Fed's stance on further stimulus and when it will raise its rate.

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All index references and performance calculations are based on information provided through Bloomberg. Bloomberg is a provider of real-time and archived financial and market data, pricing, trading, analytics, and news.

The Dow Jones Industrial Average Index[®] is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Standard and Poor's 500 Index[®] (S&P 500[®]) is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Standard & Poor's offers sector indices on the S&P 500 based upon the Global Industry Classification Standard (GICS[®]). This standard is jointly maintained by Standard & Poor's and MSCI. Each stock is classified into one of 10 sectors, 24 industry groups, 67 industries and 147 sub-industries according to their largest source of revenue. Standard & Poor's and MSCI jointly determine all classifications. The 10 sectors are Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services, and Utilities.

The NASDAQ Composite Index[®]. Stocks traded on the NASDAQ stock market are usually the smaller, more volatile corporations and include many start up companies.

NASDAQ - National Association of Security Dealers Automated Quotations. The NASDAQ is a computer operated system owned by FINRA that provides dealers with price quotations for over the counter stocks.

Bear market calculations and interpretations are derived from data supplied by Ned Davis Research, Inc.

The Organization for Economic Cooperation and Development (OECD) is an international organization of thirty countries that accept the principles of representative democracy and free-market economy. Most OECD members are high-income economies with a high Human Development Index and are regarded as developed countries.

Composite Index of Leading Indicators (LEI) – An index published monthly by the Conference Board used to predict the direction of the economy's movements in the months to come.

The Reuters/University of Michigan Surveys of Consumers are monthly surveys of consumer attitudes and expectations about the U.S. economy. They provide a gauge of consumer anticipation of changes in the economic environment.

The Consumer Price Indexes (CPI) program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

Federal Open Market Committee (FOMC) is the branch of the Federal Reserve that sets monetary policy through controlling open market operations, the discount rate, and reserve requirements.