



## **Dorion-Gray Retirement Planning Weekly Commentary January 30, 2012**

### **Tactically Speaking....**

As we indicated in our last commentary, the U.S. dollar would slow or slide back last week and cause the markets to be flat for the week. The bouncing of the U.S. Dollar, especially, against the Euro should continue for a short while as our Fed Bank and the ECB decide on how much quantitative easing (money printing) to deploy in the near term to cover debt and promote growth and inflation. It appears to be a race to see who can debase their currency the most and the fastest. In the end, the EU should win the race allowing the dollar to increase versus the Euro. A stronger dollar means stronger consumption and a stronger economy which leads to more jobs.

Last week's big economic news was the release of 4<sup>th</sup> quarter U.S. GDP which came in at 2.8%. This was at the bottom of our expected range of 2.8 – 3.5% and below the consensus of most economists. Current dollar spending increased at a sluggish 3.2% annualized rate in the 4<sup>th</sup> quarter and was slower than the quarter below. Growth was helped by a \$58 billion swing in inventory building, which accounted for 1.9 percentage points of the quarter's growth. The rise in inventories means that the production of goods and services increased faster than final demand, which is something that cannot continue for very long and raises questions about how strong growth will be during the first half of 2012. This GDP report was in conflict with many of the recent economic reports that indicated that the economy was growing at a much stronger pace.

The important numbers to be released this week are the ISM surveys for manufacturing and service due out this Wednesday and Friday along with the Department of Labor's December jobs report on Friday. Both ISM surveys along with the new order component should show activity increasing in January with readings close to 55. The employment numbers due next Friday are likely to show relatively strong job gains. Based on both the sharp decline in initial unemployment claims and a significant increase in new orders, payroll employment is likely to rise in the 200,000 to 265,000 area.

Also, last week the FOMC (Federal Open Market Committee) reported that they would continue to leave the target rate for the fed funds at 0.00% to 0.25%. in to 2014. They, also, reported that with the current economic conditions the Fed was lowering its 2010 GDP estimates to 2.2% to 2.7%, down from the previous forecasted range of 2.5% to 2.9%.

## Markets Expectations

The market based on the S&P 500 acted as expected last week. The S&P 500 ended basically flat at +.09%. Five of the ten segments were up led by Materials and Technology up 1.5% and 1.0% respectfully. The laggards were Consumer Staples and Telecom down .8% and 4.3% respectfully.

The real key was that the market needed to close above the minimum bullish target of 1315.40 and achieved this closing at 1316.33. This configuration suggests that the markets will remain in a sideways to slight downward pattern for most of this week. This pattern is likely to continue for the next 2 to 3 weeks before a consolidation will be completed. Therefore, most of the month of February will be spent in a consolidation phase with a slight downward bias. This is normal as markets generally do not just go straight up.

On a short-term basis, the key level on the downside is the 1306.40 level. If this level is penetrated, it will negate the short term upward target of 1347.40/1353.50. There is a 60% probability that the 1306.40 will be penetrated, confirming the sideways to downward pattern just discussed. However, should this level hold and close back above 1324.40, then the market will retest the highs at the 1333.60 level.

The markets have been trading in a far more predictable manor the last few weeks and the volatility has subsided – at least for now. The VIX index has been trading just below the 20% level which indicates low volatility in the near future.

The intermediate charts confirm that the market is likely to trade sideways for the next several weeks before resuming the upward trend. Should the 1306.40 level be penetrated, the downside will be limited to 1294.50/1288.45 during this period.

The longer term charts still are quite bullish and momentum seems to be building for a strong move upward. The database we use continues to move to a bullish position as it now sets at the 47% level. This is above the 42% trigger point which suggests a sustainable trend is in place. This is the first time this has occurred since early last year.

We will keep you informed.

## Last Week in the Markets

For the week, the Dow fell 0.47 percent to close at 12,660.46. The S&P gained 0.09 percent to finish at 1,316.33 and the NASDAQ rose 1.07 percent to end the week at 2,816.55.

Returns Through 01/27/12	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-0.47	3.78	8.46	19.03	3.07
NASDAQ Composite (PR)	1.07	8.11	2.22	23.24	2.95
S&P 500 (TR)	0.09	4.79	3.45	18.42	0.62

BarCap US Agg Bond (TR)	0.61	0.51	8.29	6.96	6.68
MSCI EAFE (TR)	1.63	5.96	-10.07	13.09	-3.63

Source: Morningstar.com. \*Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, BarCap US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

**Where The Jobs Are** – Of the top seven occupations expected to create the greatest number of new jobs through the year 2018, none require a four-year college degree. The top two jobs on the list are registered nurses and home health aides (source: Department of Labor, BTN Research).

**Later** – More than one in three American workers (36 percent) believe that they will retire after age 65. Only one in nine Americans (11 percent) believed they would work past age 65 when the same question was asked in 1996 (source: EBRI, BTN Research).

**On The To-Do List** – Sixty-five percent of American adults have not written a will (source: Lawyers.com, BTN Research).

Best regards,

## The Dorion-Gray Team

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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 DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.

\* 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.

- \* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.
- \* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- \* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- \* Commentary prepared by Dorion-Gray with information from various sources including market strategist R. Kendall, The Hudson Institute, EWI, Hedgeye Risk Management, Securities America, Inc., and ClassicPrinciples.com, JP Morgan Asset Management, and First Trust.
- \* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Technical analysis is provided based on our opinion of the overall prevailing market conditions but is not guaranteed and is subject to change without notice.
- \* The ISM Index is a monthly index released by the Institute of Supply Management which tracks the amount of manufacturing activity that occurred in the previous month. If the index has a value below 50, due to a decrease in activity, it tends to indicate an economic recession, especially if the trend continues over several months. A value substantially above 50 likely indicates a time of economic growth. The values for the index can be between 0 and 100.
- \* Past performance does not guarantee future results.
- \* You cannot invest directly in an index.
- \* Consult your financial professional before making any investment decision.