# Commentary

January is upon us, and 2010 is now in the history books. Superb performance in the fourth quarter brought a strong finish to the year, with double-digit gains in the Dow Jones Industrial Average, S&P 500 and NASDAQ, all helping to sweeten the year for stock market investors.

As the first quarter of the new year gets underway, a renewed sense of optimism seems increasingly to permeate the investor community. Despite a few red flags raised by overseas concerns – notably, debt in Europe and the strong possibility of Chinese regulatory action to slow that country's growth – the outlook for markets is tentatively promising. At home, the U.S. is witnessing renewed consumer demand. In particular, the consumer was the hero of the fourth quarter, as the public opened its wallet and appeared to grow more confident about the state of the economy over the last three months. Consumer sentiment rose to multi-month highs, and we all know what the pleasant consequences of that could if the sentiment persists: – a boost in production, a related wave of hiring, and increased expectations for prosperity and affluence that are good for both Main Street and Wall Street. We need this to continue into 2011.

In Washington, the President and Congress collaborated to devise and enact several short-term fixes concerning major tax issues. The current environment developing for business appears favorable with the Administration reaching out to industry in an attempt to foster economic growth and spur employment. Several recent key Cabinet appointments appear to be pro-business, furthermore, which is a notable change from previous appointments by the Administration.

The Federal Reserve announced plans for another round of monetary easing, despite having relatively few options left in its arsenal. To stimulate the broader economy in November of 2010, the Fed announced that it would buy $600 billion of Treasury bonds by mid-2011, indicating also the possibility of purchase of up to $900 billion in debt by the end of the third quarter. The possible effects of such actions - lower long-term interest rates, lower bond yields and a weaker dollar – could all tend to make equities and real estate more attractive investments.

The housing market remains dismal, and there have been signs that home prices have yet to bottom out. Unemployment, foreclosures, and several months of inventory overhang remained central dilemmas throughout the last quarter of 2010.

While we did not witness the substantial reduction in unemployment we had hoped to see, there are modest indications of future improvement. Although it would take seven million jobs to return the U.S. back to December 2007 peak employment, recent surveys indicate that hiring in at least the small business sector is beginning to grow rapidly. Larger corporations with flush cash balance sheets are also beginning to hire; while the effect is, not large or widespread, it is hiring nonetheless. Productivity is slowing, and there is an increase in business lending, which suggests that we are headed in the right direction. We are hoping that employment accelerates as the economy recovery continues.

One cautionary note: global commodity prices were on the rise in 2010. If this trend continues we could risk heightened inflation, but as of now, getting the economy back on track and boosting hiring are in the spotlight.

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