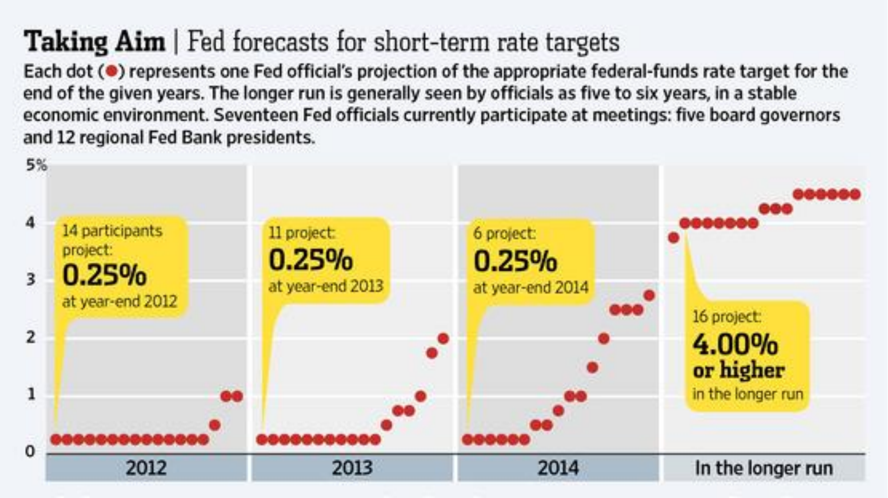
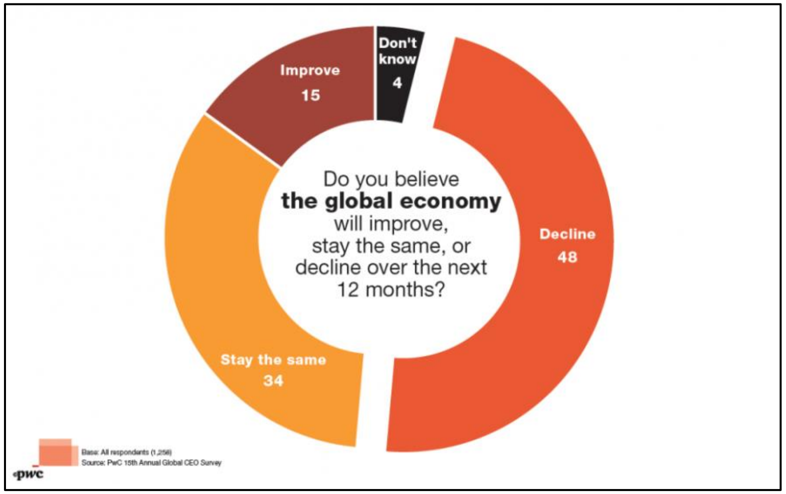
Market Recap

Federal Reserve Officials' Rate Target



Source: Wall Street Journal, Federal Reserve

CEO Global Economy Forecast



Source: PricewaterhouseCoopers

This week, Federal Reserve chairman Ben Bernanke announced the Fed's expectation to keep short-term interest rates near zero until 2014. In addition, the Fed signaled that they could potentially restart the bond repurchase program (meant to lower long-term interest rates) in another attempt to stimulate further economic recovery. The central bank appears more confident that inflation is settling after climbing last year. Officials hope that, by signaling their intentions on short-term interest rates, long-term rates will fall, spurring investment, spending, and growth. For the first time, the Fed published the range of views among Fed officials detailing when they thought rates might start rising. Eleven of 17 officials do not anticipate rate increases until 2014 or later, while 6 said rate increase should come within the next 2 years. Many view this to be a wide-range of disparity and descent among Fed officials.

According to a recent report from PricewaterhouseCoopers, nearly half of the world's top business leaders see the global economy declining in 2012. Of the 1,258 CEO respondents, only 15% believe the macro picture will improve over the next 12 months with 34% expecting the economy to remain about the same. In general, CEO confidence is decidedly lower this year as they deal with the aftershocks of the recession. Business leaders are disappointed with the course of the global economy and the pace of recovery. The optimism that had been building cautiously since 2008 has begun to decline. One interesting side note of the survey is that nearly 40% of the top leaders indicated that they were "very confident" that their own company would deliver revenue growth in the coming year. This reflects a much higher level of confidence with their own firm compared to the general economy.

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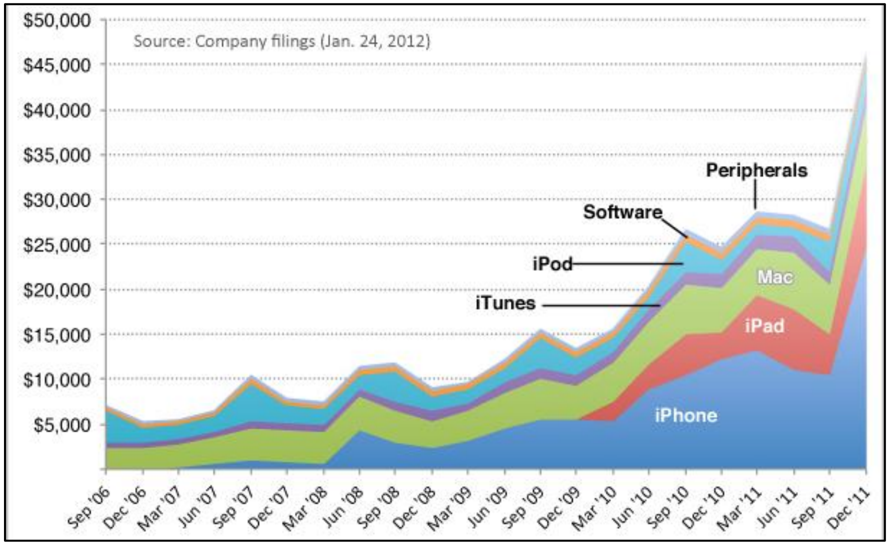
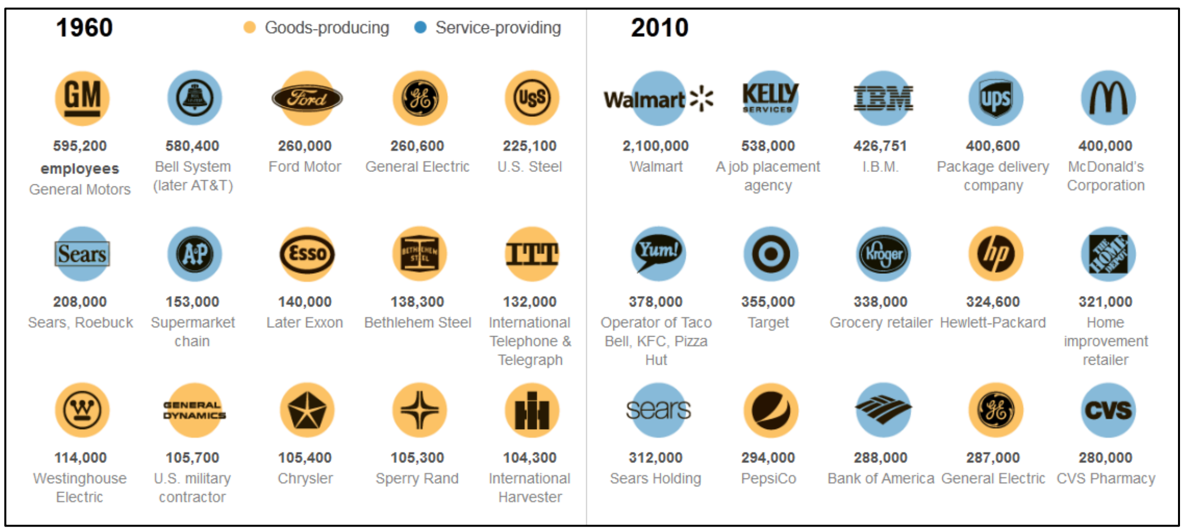
Apple's Revenue By Product



Source: Apple Company Filings

U.S. Job Composition



Source: New York Times

This week, Apple reported impressive quarterly results. The company exceeded expectations across the board. The number that perhaps stands out the most was the 37 million iPhones sold during the quarter. iPhone sales were up 128% year over year. They also sold 15.4 million iPads – up 111% year over year. It was Tim Cook's first quarter at the head of the firm. He cited that Apple's momentum is exceptionally strong and that they continue to have new products in the pipeline to fuel further growth. It has become more apparent that Apple has supplanted Microsoft as the world's dominant technology company. Apple now has $97 billion in cash and securities, leading many to believe that the company may soon be issuing a stock dividend. Cash flow from operations was $17.5 billion, making Apple's profits higher than Google's revenues.

This week, a New York Times article highlighted the changing landscape of the U.S. employment market. A review of the largest employers reflects what is now common knowledge that America's economy has changed from a goods-producer to a service-based economy. Over the last 50 years, manufacturing jobs have fallen from approximately 40% of all jobs to 14% of employment. Today, service providers and retailers like Walmart and temp firms like Kelly Services employ about six in seven of the nation's workers.

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