

WEEKLY MARKET REVIEW

Week ended December 31st

Markets Limp to the Finish Line

By Dr. Jerry Webman, Ph.D, CFA
Chief Economist, OppenheimerFunds, Inc.

Happy New Year. The U.S. equity market closed a strong 2009 on a down note with modest losses in the last week of the year with losses posted across all sectors. Trading volumes were light in the United States as is typical in the last week of the year. U.S. Treasuries continued with their recent sell off as the market prepares to absorb substantial new quantities of issuance in 2010. Emerging market equities finished strong closing the year with sizeable gains that outpaced returns across the developed world.

Economic data releases were light in the holiday week. The economic backdrop in the U.S. is one of marked improvement from a year ago but the old adage the deeper the recession, the stronger the recovery is unlikely to apply in 2010. For more detailed thoughts on the current year please read our Capital Markets: 2010 Outlook.

Home prices rise but a number of cities still under pressure

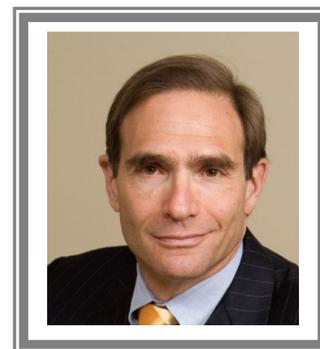
The **Standard & Poor's/Case-Shiller Home Price Index**, a gauge of housing prices in 20 major metropolitan areas, rose 0.4% in October—the measure's fifth consecutive monthly gain. Home prices were up in 11 of the areas, a clear sign that many cities still remain under pressure some four years into the housing market depression. Prices in the aggregate have benefitted from a federal subsidy for first-time home buyers and low interest rates, both of which helped drive demand. Inventories of unsold homes have fallen dramatically since the height of the housing crisis, but remain elevated.

Consumer expectations brighten, despite poor current assessment

The Conference Board's **Consumer Confidence Index** rose to 52.9 from 49.5 in December, driven higher by strong expectations among survey respondents—a potential leading indicator of improving retail sales. Additionally, fewer people said jobs were hard to get, another positive sign for the economy. The “present conditions” component fell to its lowest level in 26 years, however, a reminder that consumers continue to face serious economic challenges in their everyday lives.

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Dr. Jerry Webman is Chief Economist for OppenheimerFunds, Inc. In this capacity, Dr. Webman provides strategic viewpoints on the overall financial and economic markets to investment management and the financial advisor and investor communities.

For over 20 years, Dr. Webman has been involved in the investment and economic markets—as a researcher, a financial advisor and a portfolio manager.

Dr. Webman holds a B.A. in political science, with honors, from the University of Chicago, where he graduated Phi Beta Kappa, and a Ph.D. in political science from Yale University. He is also a Chartered Financial Analyst.



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Initial jobless claims fall sharply

Initial claims for unemployment benefits fell an unexpectedly large 22,000 to 432,000 in the week ended December 26. While one might suspect seasonality to be a contributing factor to the drop, the Labor Department reported that the holiday didn't play a role in the decline. In any case, the smoother four-week moving average has now fallen 30% from the high point of the recent financial crisis, which it reached in April. Overall, the clear downtrend in initial claims is a welcome, positive sign.



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