## Weekly Market Guide

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Senior Investment Strategist Commentary: Headlines surrounding the upcoming sequestration that is set to begin on March 1 could add to market volatility this week. Our

view has not changed; we believe the sequestration will come into effect, at least for a short period of time. This will likely be a weight on economic growth, but growth should continue nonetheless. Also upcoming is Federal Reserve Chairman Ben Bernanke's semi-annual testimony to the Senate Banking Committee, which could shed additional light on the recently released Fed minutes. In addition to these headlines, U.S. manufacturing and personal income data are likely to garner attention this week. In Europe, the Italian elections could be a source of market volatility. We will learn which party will take control late today or tomorrow, and investors will likely quickly gauge what it will mean for political stability and austerity measures in Italy. All told, upcoming deadlines for U.S. fiscal policy makers and concerns about the political and economic uncertainty in Europe could be an impetus for increased market volatility in coming weeks.

Week in Review: Data released last week were tilted toward the weaker side, leaving the S&P 500® lower. In the United States, housing data fell short of expectations while jobless claims increased. In Europe, PMI data were weaker than expected, suggesting that growth challenges across Europe continued early in the first quarter. Also noteworthy was the credit rating downgrade of the United Kingdom by Moody's.

Domestic Equities						
	Last wk (%)	YTD (%)	52-wk (%)	P/E (x)	P/E fwd (x)	Div yld (%)
S&P 500	-0.28	6.27	10.97	14.30	14.75	2.07
S&P 500 Growth	-0.43	4.99	8.83	15.99	16.23	1.88
S&P 500 Value	-0.11	7.64	13.39	13.64	13.84	2.39
S&P Mid-Cap 400	-1.08	8.16	12.01	17.82	17.52	1.43
S&P Small-Cap 600	-0.76	7.55	11.48	18.72	19.78	1.36
FTSE NAREIT Equity	0.09	4.85	14.16	-	-	3.39
Global Equities						
	Last wk (%)	YTD (%)	52-wk (%)	P/E (x)	P/E fwd (x)	Div yld (%)
World	-0.85	4.15	5.53	14.36	13.94	2.49
MSCI EAFE	-0.52	3.48	6.05	19.36	12.67	3.31
MSCI EM	-1.03	-0.17	-0.30	12.25	10.43	2.69
Developed						
Japan	3.09	4.33	0.76	13.10	18.35	2.27
U.K.	-1.65	1.96	6.59	14.29	13.35	3.13
Germany	-1.09	1.89	7.67	13.23	11.83	2.77
Canada	-1.76	-0.31	-2.66	14.15	15.02	2.75
Emerging						
China	-3.74	2.99	-1.12	13.58	12.13	2.30
South Korea	1.35	0.25	2.84	11.09	10.26	1.27
EMEA	-2.37	-1.08	-3.13	9.63	9.61	3.56
Latin America	-1.75	1.62	-4.96	13.56	15.35	5.57

Econ	omic Data	Consensus	Previous
2/24	CH HSBC PMI Man.	52.2	52.3
2/26	US CaseShiller HPI (y/y)	6.6%	5.5%
2/26	US New Home Sales	380k	369k
2/26	US Consumer Conf.	62.0	58.6
2/27	IT Business Conf.	88.4	88.2
2/27	FR Consumer Conf.	86.0	86.0
2/27	UK GDP (q/q)	-0.3%	-0.3%
2/27	EC Consumer Conf.	-23.6	-23.6
2/27	US Durable Goods	-4.6%	4.6%
2/27	US Core Cap Goods Ords.	0.5%	0.2%
2/28	US Jobless Claims	360k	362k
2/28	US 4Q GDP (q/q ann.)	0.5%	-0.1%
3/1	EC Unemployment Rate	11.8%	11.7%
3/1	US Personal Spending	0.2%	0.2%
3/1	US Personal Income	-2.4%	2.6%
3/1	US U Mich. Conf.	76.3	46.3
3/1	US Construction Spending	0.4%	0.9%
3/1	US ISM Manufacturing	52.5	53.1
3/1	US Core PCE (y/y)	1.3%	1.4%
3/1	US Vehicle Sales	15.1m	15.2m

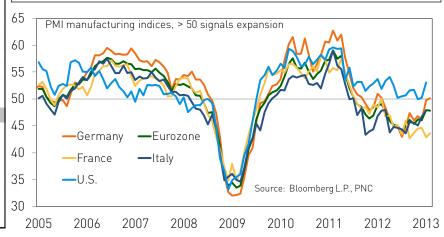
Atternative Assets						
DJ/UBS HFRX Macro TIPS Index	Last wk price 136.7 1154.0 293.8	Last wk rtn (%) -1.80 -0.20 0.22	YTD (%) -1.71 -1.03 -1.17	<b>52-wk</b> (%) -8.48 -1.77 3.84		
Rates						
	Friday Close	3-mo ago	6-mo	12-mo		
	(%)	(%)	ago (%)	ago (%)		
Fed Funds	0.16	0.16	0.13	0.08		
Prime	3.25	3.25	3.25	3.25		
2-yr Treas	0.27	0.27	0.26	0.29		
10-yr Treas	1.97	1.69	1.71	2.01		
30-yr Mgt	3.64	3.43	3.56	3.88		
IG Yield	2.84	2.82	3.07	3.51		
HY Corp	6.55	7.08	7.33	7.66		
Currencies/Commodities/Volatility						

Alternative Assets

10-yr Treas	1.97	1.69	1.71	2.01		
30-yr Mgt	3.64	3.43	3.56	3.88		
IG Yield	2.84	2.82	3.07	3.51		
HY Corp	6.55	7.08	7.33	7.66		
Currencies/Commodities/Volatility						
\$ Index	81.48	80.40	81.55	78.74		
\$per€	1.32	1.28	1.25	1.32		
\$ per £	1.53	1.59	1.58	1.57		
¥ per \$	93.22	82.39	79.25	80.32		
Gold	1572.80	1728.20	1640.50	1771.30		
Crude Oil	93.13	87.38	97.26	106.28		
VIX	14.17	15.31	15.11	18.19		

## **PNC's WEEKLY CHART**

Historically, PMI data are a good leading indicator of economic growth in a country. These data are released with a fairly short lag and provide one of the earliest warning signs of trouble for an economy. The PMI for the many Eurozone countries is well below the expansionary threshold of 50, consistent with contraction in economic activity. However, these data are stabilizing, suggesting that broader economic growth in the Eurozone is declining, but not precipitously, which supports our view that troubles in the Eurozone are serious but not insurmountable.





Sources: FactSet Research Systems, Dow Jones UBS Index, Barclays Capital, Bankrate.com, Chicago Board Options Exchange, Bloomberg, Bank of America/ Merrill Lynch, HFR Asset Management, LLC, MSCI

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