



# The Centurion MARKET REVIEW

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INDEX	This Week	Last Week		Change	% Change	YTD % Change	
DOW	11,061.9	11,115.3	▼	- 53.5	- 0.48%	3.21%	▲
NASDAQ	2,287.0	2,282.4	▲	4.7	0.21%	3.71%	▲
S&P 500	1,289.4	1,287.2	▲	2.2	0.17%	3.30%	▲
5yr Treasury	4.63%	4.55%	▲	8 bps	1.76%	5.32%	▲
10yr Treasury	4.57%	4.54%	▲	3 bps	0.57%	4.87%	▲
Gold (\$)	561.2	554.6	▲	6.60	1.19%	8.44%	▲
Oil (\$/barrel)	62.91	61.29	▲	1.62	2.64%	3.06%	▲

## Market Summary

### Yo-Yo Man

The attack on the Saudi oil facilities once again underscored the fragile nature of world oil supplies. The immediate results of the attack were a flight to quality as Treasury prices gained, stocks sold off and the price of oil spiked. As the day wore on Friday, the markets shrugged off the early morning knee-jerk reactions; Oil however, rose over \$1.60, closing at \$62.91.

Core CPI prices were in line with expectations, rising 0.2% in January. The big news in the report was mostly overlooked by the business news media; **Overall** CPI prices were higher than expected, rising 0.7% in January which means inflation is creeping back into the picture. Energy prices were recorded as increasing 5.0% in this report on a 6.4% jump in gasoline prices. The year-over-year inflation rate picked up to 4.0% in January. Although core CPI inflation remained contained in January, overall consumer inflation is still elevated and we remain concerned about the potential for a pass-through of high energy prices into core inflation. The yield curve remains slightly inverted with the 2yr. yielding 4.73%, the 10-yr. at 4.54% and the 30-yr. at 4.51%. The implied probability of a 4.75% funds rate after the March 28th meeting is 98%. In addition, the implied probability of a 5% funds rate after the May meeting has risen to 80%.

Equities drifted lower this week amid concerns that the Fed will have to keep lifting rates. Traders are now talking about a new trading range between 1283 and 1294 on the S&P 500 with the markets yo-yoing between these numbers all week. For the week, the S&P closed up slightly to finish at 1289. The Dow fell 0.5% while the Nasdaq finished up 0.2%.

### The Tax Man Cometh

In a confidence building move, H&R Block said it will restate earnings for fiscal years 2004 and 2005, as well as the first two quarters of fiscal 2006, to correct accounting errors it said led to the company stating its income tax liability last year by \$32 million. What then is a taxpayer supposed to think when the leading tax return prep company admits to understating its own taxes?