



The Centurion MARKET REVIEW

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January 20, 2006

INDEX	This Week	Last Week		Change	% Change	YTD % Change	
DOW	10,668.5	10,959.9	▼	- 291.4	- 2.66%	- 0.46%	▼
NASDAQ	2,249.7	2,317.1	▼	- 67.4	- 2.91%	2.01%	▲
S&P 500	1,261.7	1,287.6	▼	- 26.0	- 2.01%	1.08%	▲
5yr Treasury	4.30%	4.28%	▲	2 bps	0.44%	- 2.14%	▼
10yr Treasury	4.36%	4.35%	▲	1 bps	0.21%	0.09%	▲
Gold (\$)	554.0	557.0	▼	- 3.00	- 0.54%	7.05%	▲
Oil (\$/barrel)	68.48	64.58	▲	3.90	6.04%	12.19%	▲

Market Summary

It Went Ugly Early

Equities were pounded this week with Iran, Iraq, Japan, oil and earnings all conspiring to drive the markets back into the middle of their trading ranges. The Dow fell 291 points or 2.66%, giving up all its gains so far for the year while the S&P dropped 26 points for a 2.01% loss. The biggest loser was the NASDAQ, slimming down 2.92% or 67 points, highlighted by its biggest one-day drop in a year on Friday. We failed to hold the critical 1265 support level on the S&P 500 and it now looks we'll have to test the support of 1245 before any sustainable rally can begin.

The 0.2% rise in core CPI in December was enough to nudge the 12-month rate of core inflation up to 2.2% from 2.1%. Over the last three months, core CPI inflation has run at a 2.8% annualized rate. Although the Fed may continue to describe core inflation as contained, the increase in core CPI inflation over the last three and twelve months is unlikely to be comforting as Uncle Alan leaves and Gentle Ben takes over. We still see short term rates nearing 5% before the Fed is done.