



# The Centurion MARKET REVIEW

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INDEX	This Week	Last Week		Change	% Change	YTD % Change	
DOW	10,959.3	10,717.5	▲	241.8	2.26%	2.26%	▲
NASDAQ	2,305.6	2,205.3	▲	100.3	4.55%	4.55%	▲
S&P 500	1,285.5	1,248.3	▲	37.2	2.98%	2.98%	▲
5yr Treasury	4.35%	4.40%	▼	- 5 bps	- 1.02%	- 1.02%	▼
10yr Treasury	4.38%	4.36%	▲	2 bps	0.57%	0.57%	▲
Gold (\$)	541.2	517.5	▲	23.70	4.58%	4.58%	▲
Oil (\$/barrel)	64.21	61.04	▲	3.17	5.19%	5.19%	▲

## Market Summary

### The Year of the Dog

This week according to AP, a company in northern China says it will only hire candidates born in the Asian zodiac's year of the dog. The lunar-calendar astrology used in China and several other Asian countries counts the coming year, which starts Jan. 29, 2006, as a dog year. The Asian zodiac assigns a different animal to each year in a 12-year cycle. A personnel manager for Jilin Jiangshan Human Resources Development Co. was quoted as saying the company craves loyalty, honesty and efficiency - qualities associated with people born in the year of the dog.

The New Year in its first week was anything but dog-like as equities soared on Tuesday, and managed to not only hold onto their gains but padded them as well. Equities rallied following the release of the Fed minutes showing that we may indeed be in the 9<sup>th</sup> inning of the rate increase game. The market is pricing the odds of another 25bps hike in January at 90%, while the odds of a 4.75% funds rate after the March meeting have fallen to 52%. If this week is any indication of how 2006 will go, we may be in for a better year than many on the street are expecting. Both the S&P and NASDAQ ended strong, up 3.0% and 4.6% each, both on very strong volume. The Dow was higher by 2.3%, though it would have likely been higher had GM and Walmart not started the year off weaker. The strong buying was spurred by heavy program trading and short covering after the S&P broke through technical resistance

Treasuries also rallied on short covering this week. Covering pushed the curve back into positive territory, and the 2-10 year spread is back out to 3 bps. The Dollar dropped sharply vs. the Euro and the Yen on lower interest rates and some soft economic data (weak ISM) and December FOMC minutes. The euro lifted to its highest level in two weeks, moving above \$1.20 for the first time since Dec. 20.

Gold was stronger, closing at \$541.20, up over \$23 on the weaker dollar and falling interest rates. Upward momentum in precious metals show no signs of abating as copper futures struck a record high, supported by a strike at the world's biggest copper mine in Chile. Natural Gas dropped below \$10 for the first time since hurricane Katrina Struck - The most-active gas contract fell as low as \$9.90, 37% below the \$15.78 all-time high on Dec. 13. Silver, palladium, and platinum all closed higher as well.

In spite of the strong week, we believe that we are once again at the top of the trading ranges and look for the market to drift lower in the coming weeks. We still believe (the market does not agree) that short term rates will hit 5% as the Fed will continue to raise rates slowly in 2006.