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!Buen dia!

President Obama delivered his fiscal year 2013 budget and his long-range budgetary forecast to Congress last Monday (2/13/12). The 1-year projection for the fiscal year that ends 9/30/13 calls for a \$901 billion deficit, an unthinkable number just 4 years ago but now acceptable math in Washington. The president's 10-year forecast (2013-2022) estimates a \$3.6 trillion reduction from the \$24 trillion national debt already predicted for 2022 through a combination of higher taxes on the wealthiest Americans and lower government spending (source: White House).

When Congress decided to reduce the payroll tax levied on employees' wages in calendar year 2011 by 2% (from 6.2% down to 4.2%), both political parties agreed that the short-term boost to our economy from the tax cut outweighed the downside of reduced funding for Social Security (i.e., payroll taxes are used to support Social Security benefits). But this temporary 1-year idea was renewed for a 2nd year last Friday (2/17/12) when both the House and the Senate passed legislation extending the 2% tax break for all of 2012. Government estimates put the reduced funding for Social Security at \$71 billion for calendar year 2012 (source: Congress).

The S&P 500 reached its highest close of the year last Friday, finishing the week at 1361. The stock index hasn't closed this high since 4/29/11, its highest close last year. After just 7 weeks of 2012, the S&P 500 is up +8.6% YTD (total return), less than +1% from the index's trailing 50-year average annual return of +9.3% (source: BTN Research).

Notable Numbers for the Week:

1. **DECADES** - Since 1950, there are **53 different** 10-year investment periods (i.e., the 10-year periods 1950-59, 1951-60, 1952-61, etc.). The S&P 500 stock index produced an average annual total return of **less than +7%** during 14 of the 53 periods (26% of the time). Conversely, 19 of the 53 periods (36% of the time) resulted in an average annual total return of **at least +14%**. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the stock market (source: BTN Research).
2. **IMPROVEMENT** - At the **end of 2009**, 10% of mortgages had at least 1-payment past due and another 5% of mortgages were in the foreclosure process. At the **end of 2010**, 9% of mortgages had at least 1-payment past due and another 5% of mortgages were in the foreclosure process. As of the **end of 2011**, 8% of mortgages had at least 1-payment past due and another 4% of mortgages were in the foreclosure process (source: MBA).
3. **CASH RATES** - The **average taxable money market fund** was yielding +0.03% last week. 4 years ago this week (2/21/08), the average yield was +3.05% or more than **100 times larger** (source: iMoneyNet).
4. **RECESSION STAT** - The US has been in a recession **only 26 months** in the last 20 years (source: NBER).

02/21/12 Tuesday

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