Market Comment *Economic Highlights for the week ended March 23, 2012*

Economic Week In Review: We're Not Home Yet

Vanguard 3/23 - News on the housing market was a hot property this week, though results were mixed. While home sales and starts declined last month, their improvement over the last few years seems to show that the housing market—the core of the last financial crisis—may be digging itself out of a 7-year hole. Meanwhile, an important gauge of future economic activity rose for the fifth consecutive month.

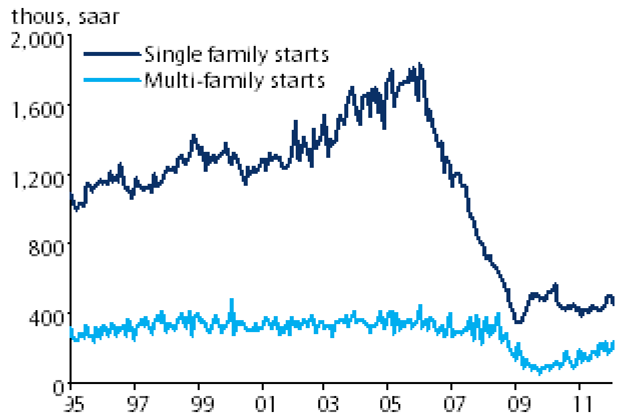
For the week ended March 23, the S&P 500 Index fell 0.5% to 1,397.11 (for a year-to-date total return of about 11.6%). The yield on the 10-year U.S. Treasury note fell 6 basis points to 2.25% (for a y-t-d increase of 36 bps).

Housing Starts - February

Vanguard 3/23 - Builders broke ground on new homes at an annualized rate of 698,000 in February, a 1.1% drop from January's upwardly revised figures but still near a 3-year high. Applications for building permits rose 5.1%, to their highest rate since October 2008, and the rate of housing completions was up 6.2% from January.

Analysts said that the demand for new homes, while still well below the normal spring pace, is finally emerging from the depths of the past few years. Single-family home starts were down 10% from January and 73% below their 2005 peak but were 18% higher than the February 2011 rate. The supply of distressed properties continues to be a major factor affecting the pace of new-home construction in some parts of the country.

Barclays 3/20 - Housing starts declined by 1.1% m/m to 698k in February from an upwardly revised 706k in January (previously 699k). The details were somewhat weaker than the headline number as all of the decline was reflected in the core single-family component, which fell 9.9% to 457k, the lowest level since October 2011 and the first m/m decline since September. The drop was concentrated in the South (-17.4%) and West (-16.7%), with solid gains registered in the Northeast (11.4%) and Midwest (13.9%). The decline in single-family starts was largely offset by a strong increase in the multi-family component (up 21.1% to 241k).

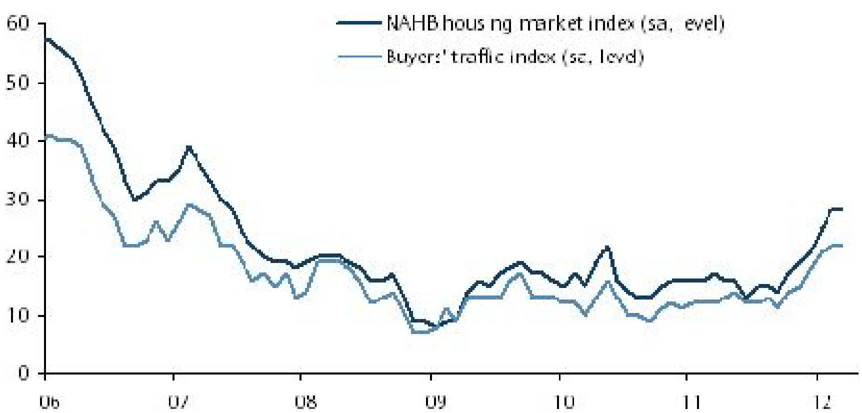


While the details in February were significantly softer than we expected, the recent upward trend remains in place - for example, the level of starts is well above the Q4 average of 670k.

Econoday 3/20 - Recent strength in new housing activity is likely partially related to a warmer-than-normal winter as conditions have been more favorable to home builders.

Home Builders' Index - March: Home Builder Sentiment Unchanged After Downward Revision

Econoday 3/19 – A solid rise in future sales points to rising optimism among US home builders. The six-month component from the National Association of Home Builders is up two points this month to 36, which is more than double the extremely depressed level of 17 in September and 15 level back in June. The assessment of the current market is less upbeat this month, with the component down one point to a 29 level that, however, is also more than double the level back in September.



The report's headline composite index is unchanged at 28 (prior revised) with three of four regions, excepting the West, reporting gains so far this month. But any reading below 50 indicates that conditions are poor, a reminder that credit conditions remain tight and that distressed properties are hurting home builders.

Barclays 3/19 - The rise in both the expectations index and the index of prospective buyers traffic reinforces our view that the housing market is continuing its gradual recovery and that it will not hinder economic recovery as significantly as it did at the end of the last recession.

New-Home Sales – February

Vanguard 3/23 - Fewer new homes were sold in February, the second straight monthly decline and the slowest rate since last October. Sales dropped 1.6% to an annual pace of 313,000, considerably below analysts' expectations. New-home sales, like the housing market in general, are struggling to gain momentum as the inventory of foreclosures remains a drag on property values. Yet last month's numbers are an 11% increase over February 2011.

Econoday 3/23 – There are signs of life in the new home sector but they're not yet translating into higher sales. New home sales fell 1.6% in February to a 313,000 annual rate that compares with the Econoday consensus for 325,000. January is revised to 318,000, a 3,000 downward revision offset by a large 12,000 upward revision to December which at 336,000 is the best rate so far of the recovery.

The biggest strength in the February report is in prices which surged +8.3% for the median to $233,700 for the highest since June with the year-on-year rate, at plus 6.2%, showing its first positive reading since October. Comparisons for the average price, at $267,700, show smaller gains. Supply, like prices, is also favorable, at 5.8 months at the current sales rate. This rate is up from January and from December's low of 5.5 months, but otherwise is the recovery's third lowest reading.

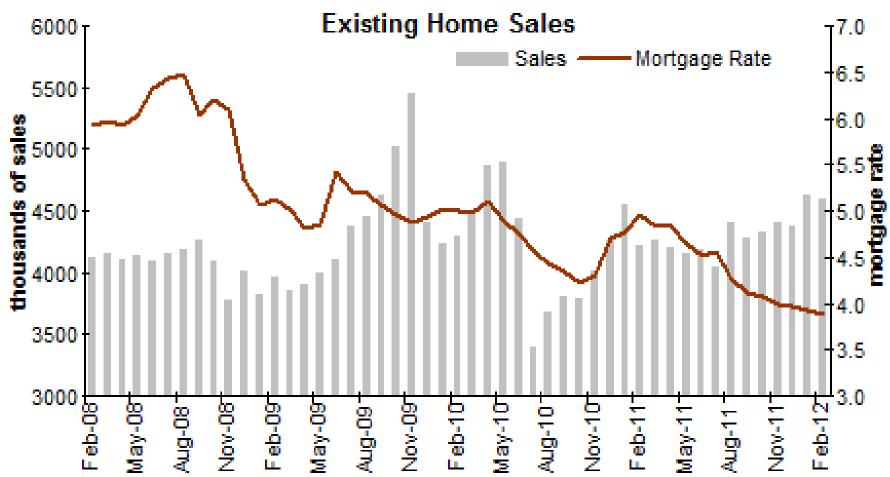
Barclays 3/23 - While (new) home sales have remained at low levels and moved broadly sideways since the end of the recession, the more interesting story has been the steady decline in the supply of new homes for sale. Months' supply edged up to 5.8 months in February from 5.7 in January, but remains close to a six-year low indicating that, even though the pace of sales is relatively weak, it has been sufficient to put downward pressure on the stock of inventory.

Existing-Home Sales - February: Existing Home Sales Soften But Trend Remains Positive

Vanguard 3/23 - Sales of previously owned homes fell a slight 0.9% in February to a seasonally adjusted annual rate of 4.59 million. The monthly rate was still 8.8% higher than a year ago and the strongest February number in five years. January's figures were revised up to 4.63 million from the 4.57 million previously reported, and the median price of existing homes rose year-over-year for the first time since May 2010.

Econoday 3/21 – Sales of existing homes slowed slightly in February but follow an extremely strong and upwardly revised January. Sales slipped 0.9% last month to a 4.59 million annual rate. January is revised 13,000 higher to 4.63 million for a 5.7% gain.

Good news for February is that prices firmed, up 1.3% to a median $156,600 which follows a steep slide in January of 4.7%. The pickup in January sales appears to have encouraged prospective sellers to put their homes on the market as supply rose to 6.4 months at the current sales rate, not too heavy but compared to 6.0 months in January and against 8.6 months a year ago. Distressed sales remain heavy at 34% but are down slightly from the 35% rate in January. All cash transactions rose two percentage points to 33%.



Leading Economc Indicators – February

Vanguard 3/23 - The Conference Board's index of leading economic indicators rose 0.7% in February, representing an improvement over a downwardly revised 0.2% gain in January. The latest figures mark the fifth consecutive monthly gain and an 11-month high. Analysts see the increase as further evidence that the economy may be on the mend, as gains in employment and consumer spending brought the 6-month annualized growth rate of the index to 4% in February. They cautioned, however, that election-year uncertainty and rising energy prices remain serious obstacles to economic growth.

Econoday 3/22 – Improvement in the jobs market is emerging as the most significant factor lifting the economic outlook.

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Unemployment Insurance Weekly Claims Report (Initial Jobless Claims) – week of March 17

Press Release 3/22 (excerpts) - In the week ending March 17, the advance figure for seasonally adjusted initial claims was 348,000, a decrease of 5,000 from the previous week's revised figure of 353,000. The 4-week moving average was 355,000, a decrease of 1,250 from the previous week's revised average of 356,250.

WEEK ENDING	March 17	March 10	Change	March 3	Prior Year
Initial Claims (SA)	348,000	353,000	-5,000	365,000	394,000
4-Wk Moving Average (SA)	355,000	356,250	-1,250	355,750	391,000

Barclays 3/22 - Initial jobless claims fell by 5k, to 348k in the week ending March 17, continuing the downward trend seen in the past six months or so - claims are down by a total of 74k since mid-September 2011 (Figure 1). Given that payroll growth was likely boosted by positive weather effects in recent months, we are looking for a slightly softer pace of job growth in March, with headline payroll growth of 200k and private sector payroll growth of 215k. In addition, we look for the unemployment rate to decline by a tenth, to 8.2%.

FHFA Home Prices - December

Econoday 3/22 – Home prices are not improving as hoped or earlier believed. According to the FHFA, house prices in January were unchanged, following a 0.1% rise in December (originally up 0.7%).

On a year-on-year basis, the FHFA Home Price Index is down 0.7% versus down 1.6% in December.

The Economic Week Ahead: March 26 – March 30, 2012

Vanguard 3/23 - Next week's reports begin with consumer confidence on Tuesday and durable goods on Wednesday. Thursday brings an update on gross domestic product, followed by personal income on Friday.

This Week's U.S. Economic Calendar *Source: MarketWatch*

	TIME (ET)	REPORT	PERIOD	PREVIOUS
MONDAY, MARCH 26		None Scheduled		
TUESDAY, MARCH 27	10 a.m.	Consumer Confidence	March	70.8
WEDNESDAY, MARCH 28	8:30 a.m.	Durable-Goods Orders	February	-3.7%
THURSDAY, MARCH 29	8:30 a.m.	Initial Jobless Claims		
	8:30 a.m.	Gross Domestic Product	Q4	3.0%
FRIDAY, MARCH 30	8:30 a.m.	Personal Income	February	0.3%
	8:30 a.m.	Consumer Spending	February	0.2%
	8:30 a.m.	Core PCE Price Index	February	0.2%
	9:45 a.m.	Chicago PMI	March	64.0%
	9:55 a.m.	Consumer Sentiment, Final	March	75.3