



## Taxable Money Market Commentary

Provided by Senior Portfolio Manager

Patricia Larkin

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- As we begin 2012, most expectations are for the domestic economy to continue the recent moderate growth pattern seen in 2011. Early reports on holiday sales seem to indicate that consumers, while not going overboard, were willing to spend enough to produce a positive result for most retailers. In another sign of underlying consumer confidence, automobile sales for the 2011 calendar year were the best since 2008. Businesses also continued to perform well, with high levels of productivity and record levels of cash on corporate balance sheets. This performance came despite the ongoing monetary and economic turmoil in Europe.
- At its December 13th meeting, the Federal Reserve decided to keep monetary policy unchanged. In the minutes of that meeting, the Fed did indicate that they intend to take a series of steps in order to better communicate to the markets the forecasts used in decision-making as well as forecasts for the federal funds rate and the timing of future interest rate moves. These forecasts, while obviously subject to change, will make

monetary policy much more transparent to market participants.

- The upcoming Presidential election will take center stage as we move closer to November. Investors will be focused on potential tax and regulatory changes. They will also be looking for plans by both parties on meaningful steps to begin to address the longer-term budget challenges the nation faces. In this uncertain environment, we continue to follow our long-held conservative investment philosophy. We maintain well above average liquidity and have focused our term security purchases on relatively short maturities issued by high quality borrowers.

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