DELTA
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Economic Comments

While the yearôs final quarter appears to have been more economically active than anticipated, expectations for 2012 remain low. The December FOMC meeting highlighted concerns over tepid business investment and the continued weakness of the housing sector. Unease was also expressed over the ongoing euro zone budget and debt problems. As a result, the Fedôs committee shared its continued expectation that overnight interest rates will remain at effectively zero through at least mid-summer of 2013.

The recent weeksô spate of improved economic data has offered some encouragement. New residential construction and small business confidence all beat analyst expectations. Initial claims for jobless benefits, often a leading indicator for the labor market, dropped to their lowest level since May 2008. The unemployment rate echoed the jobless benefit data as the most recent December reading showed unemployment falling to 8.5% down slightly from Novemberôs 8.7%. Robust year-end job growth, of 200,000 positions, was the key factor in this improvement. While still beneath the levels needed to sharply reduce todayôs elevated unemployment levels, job growth has now been above 100,000/month for the last 6 months. On the back of these positive reports, economists now foresee the 4th quarter to have GDP growth in excess of 3.0% - a marked change from the 3rd quarterôs 1.8% rate.

However, the sustainability of the recent up-lift is strongly in doubt. Most analysts now expect the euro zone to enter into a recession in 2012 due to the sharp spending cuts and tax increases enacted by many of these countries amidst the ongoing debt crisis. Furthermore, the year-end surge in U.S. economic activity appears to have been largely driven by one-time inventory re-stocking rather than by sustainable continued growth.

In the face of basically flat income growth along with modest job growth, it is unlikely that consumers are going to step up to the economic plate. While the recent holiday shopping season showed brisk activity, it was punctuated by very heavy retailer discounting. Further clouding the consumer outlook was Octoberôs consumer debt reading, the highest in two years, which suggested that people are buying on credit rather than with cash. Of added concern, credit card delinquencies showed their first increase in two years while mortgage delinquency rates increased slightly from recently lower levels. In general, consumer spending

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increased by 1% year over year for the 3rd quarter.

In the continuing euro zone saga, Mario Draghi, the new head of the European Central Bank (ECB), is aggressively pushing banks to borrow from the central bank. Traditionally, this type of borrowing has been viewed as a sign of critical weakness and sharply frowned upon by investors. In the current troubled circumstance, and given the low borrowing rates, this central bank lending could prove an effective means for these banks to make substantial profits by borrowing from the ECB and re-investing these monies in their own country's short-term debt.

With ECB borrowings since Draghi's announcement far outpacing expectations, European bankers seem eager to latch on to this lifeline. While not a means to a cure for the continent's banking ills, this borrowing could act to partially re-capitalize some of the continent's more stressed financial institutions.

On the domestic front, the crafting of a more sustainable U.S. Federal budget is vital. The two political parties must come up with some type of ideological compromise. Annual federal spending has increased by more than 40% in the last 5 years while federal income has remained stagnant. We are now in a situation where the highest earning 5% are paying almost 60% of total income taxes while the bottom 50% pays 2.25% of total income taxes! The net result is that with continued escalation in outlays and tepid tax collections, the U.S. deficit has grown sharply which has placed the country's long-term finances in peril. As Greece has recently learned to its dismay, all was well until the critical moment when investors lost faith. To allow for opportunities for our youth, a better balance between spending and income must be achieved, and achieved soon. If not resolved quickly, the current ideological stalemate is sure to end badly. The truly sad part of this discussion is that the U.S., unlike some countries, has the resources to address this problem; what it lacks is the political consensus.

Despite this pending, and totally avoidable disaster, the U.S. remains an economic bright spot for the coming year. General expectations are for modest growth which, unfortunately, will provide for only incremental reduction in the unemployment rate and reinforce the perception of continued hard economic times.

Analyst Corner

Having recently spent time evaluating this global manufacturer of home appliances, we believe that there is an attractive likelihood of investors cleaning up, and yes the pun was intended, with the Whirlpool Corporation (*NYSE: WHR*). While it is the global appliance leader, its industry is marked by intense rivalry and meaningful cyclicality.

The company's shares have been sharply buffeted in recent months by concerns over commodity price inflation and continued weak global consumer confidence. However, sporting a good quality balance sheet and attractive cash flows, we believe that WHR could prove quite profitable for a more risk tolerant investor. With an above average dividend, investors will be well paid while awaiting a more positive turn in business activities.

Market Comments

To paraphrase William Shakespeareôs *Macbeth*, the stock marketôs 2011 activities were ñfull of sound and fury, signifying nothing.ò As the year came to a close (and excluding dividends), the S&P 500 was effectively unchanged while the Dow Industrials rose 5.5% and the NASDAQ Composite finished down 1.8%. Yet the yearôs trading was punctuated with sharp volatility - by some measures 2011 had more wild swings than 2009 and 2010, combined! While U.S. companies churned out record profits for the year, up 16%, headlines from around the world drowned out the positive local earnings news. Amidst this turmoil, investors flocked to the safest corner of the stock market - dividend paying companies in more stable businesses. As a result, the utility, healthcare and consumer staples sector produced returns in excess of 10% while the snake-bit financial sector was the marketôs laggard with losses of more than 18%.

Although U.S. stock performance was quite tepid for the year, even this modest showing out performed the worldôs other major stock markets with Europe declining by 15+% and emerging markets surrendering more than 18%.

In their search for safety in such a tumultuous year, global bond markets had the highest return of any financial asset with returns of almost 5.9%. Leading the way for bonds were U.S. Treasuries which gained 9.8% - and this despite the downgrade of the nationôs credit rating from AAA in August! However, with ten-year U.S. Treasuries now yielding under 2%, and paying less than the average S&P 500 stock, we feel it likely that the opportunity for fixed income will be more muted in the near term while we continue to be more positive in our stock outlook.

Causes for this optimism are threefold. First, U.S. manufacturing is on a 28 month long expansion and in contrast with recent contractions in euro zone and Chinese industrial output. Furthermore, U.S. householdsô balance sheets have continued to improve with families consistently paying down overall debt for the last 13 quarters. And finally, in a show of support for the U.S., the dollar has rung up a 2-year string of modest appreciation versus most major currencies.

Looking forward, profit expectations for 2012 are more muted with consensus estimates of around 8 percent. Critical to achieving these forecasts is meaningful earnings growth in both the financial and IT sectors. Given the European debt crisis and anticipated European recession, neither of these expectations should be viewed as a certainty.

Assessing the global situation, both economically and politically, we believe underscores the importance of a well thought out financial plan. When this plan is joined with a diversified investment portfolio, the likelihood of long-term financial security can only be improved.

About the only certainty we are sure of is that doing nothing and trying to ignore these tumultuous times would be even more fraught with risk!

Performance as of 12/31/11

	Close	Month	1 Year
DJIA	12217.56	1.58%	8.38%
S & P 500	1257.60	1.02%	2.12%
NASDAQ Comp.	2605.15	-0.58%	-1.80%

	Quarter end yield	Prior Year end yield
10 yr. U.S. Treasury	1.87%	3.31%

Planning Thoughts

Almost everyone enjoys finding a few extra dollars in an old purse or in the pocket of a pair of rarely worn pants. A relatively new place to find lost money is on the internet. While we hope that a quick check at www.missingmoney.com will not sharply change your financial picture, it could at least put a little smile on your face. This web-site consolidates information on unclaimed property that has been turned in to your stateôs government and shows you how to recover this money.

The source of these monies can be varied: lost utility deposits, unredeemed gift certificates, old insurance policies, or even shares of stock. Companies have long been required to return these types of monies to state governments. However, it is only in recent years that State Treasurers have become aggressive in returning this money to their constituents rather keeping the money for the governmentôs own purposes. We hope that you have luck with this quick search as we know one individual who recently recovered $125 from this quick web browsing!

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