

Calvert Investments' Week in Review—Week Ended 2/03/12

Fixed-Income Market Commentary

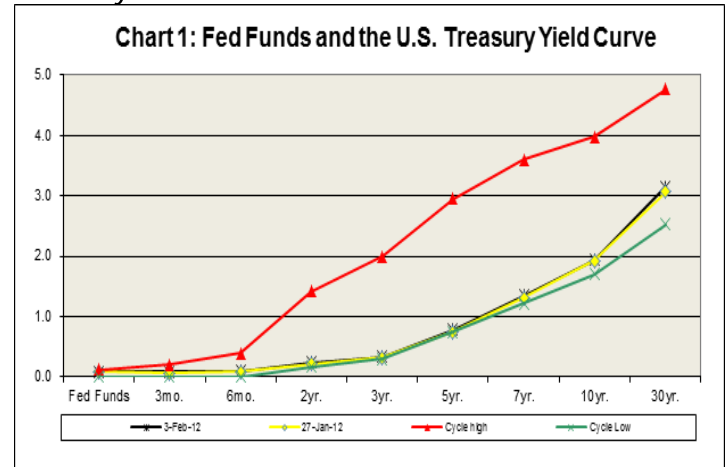


By Cathy Roy, CFA
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- The U.S. unemployment rate slipped to 8.3% and non-farm employment climbed more than forecast (up 243,000). The jump in hiring shows that companies are gaining confidence. The sense that the U.S. can decouple from the problems in the Eurozone probably helped boost employers' outlook. Hiring gains were broad-based and included manufacturing, construction, accounting, restaurants and retailers along with temporary help agencies. A bit troubling, however, is that the labor force shrank with 1.2 million people no longer looking for work and therefore not counted in the unemployment rate calculation. Later on Friday morning, the Institute for Supply Management non-manufacturing composite index came in at a much stronger than expected at 56.8 versus a consensus estimate of 53.3 for January and above December's revised figure of 53.0 in December.
- Treasury yields rose on Friday's employment data with the long bond popping 12 basis points to 3.12%. For the full week, however, yields were only slightly up by mid-day Friday from where they began the week. Talk of any further quantitative easing from the Federal Reserve will probably be put to rest following these very positive jobs numbers.
- Friday's very positive data starkly contrasts with less positive data released earlier in the week. Consumer confidence was expected to rise to 68 in January but came in at a disappointing 61.1 from a revised 64.8 reading in the prior month. The Chicago Purchasing

Manager Index, a gauge of business activity, also disappointed with a reading of 60.2 versus 62.2 in December.

Treasury Yield Curve



Source: Calvert Investment Management, Inc.

Key Market Indicators

Indicator	2/03/12	1/27/12
Fed Funds Target Rate	0%-0.25%	Unchanged
10-Year Treasury Bond Yield	1.92%	+ 3 basis points
DJIA	12,862.23	+201.77 (+1.62%)
S&P 500	1,344.90	+28.57 (+2.22%)
Oil	\$97.72	- \$1.95
U.S. \$ vs. Euro	€ 0.7609	+ € 0.0049
U.S. \$ vs. Yen	¥ 76.58	- ¥ 0.10
Unemployment	8.3% (Jan.)	8.5% (Dec.)
	December	Year Ago
Consumer Price Index	226.75	+3.0%

Source: Calvert Investment Management, Inc.

Equity Market Commentary



By Natalie Trunow,
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- This was another good week in the equity markets bringing the S&P 500 total return for the year so far to +7.11%. A good earnings season and continued improvements in macro-economic data are driving the equity markets up.
- For the week, S&P 500, Russell 1000, Russell 2000, MSCI EAFE and MSCI Emerging Market indices returned 2.22%, 2.33%, 4.06%, 2.27%, and 3.16%, respectively. The top three performing sectors in the Russell 1000 were Financials, IT and Telecoms, while Utilities, Consumer Staples and Health Care lagged.
- As of February 2nd, 60% of S&P 500 companies that have reported beat earnings estimates while 52% beat top-line expectations. This important improvement in top-line performance is pointing to the sustainability of the positive momentum in the corporate sector. US ISM Manufacturing index rose to 54.1 in January, slightly below expectations, but up from a revised 53.1 in December and the non-manufacturing index jumped to 56.8, exceeding expectations and up from 53 the prior month.
- U.S. Jobs data were a significant boost to equity market performance on Friday. Markets reacted positively to the 243,000 gain in non-farm payrolls and the unexpected drop in unemployment rate from 8.5% to 8.3%, the lowest number in three years, and strong private employment gains across all sectors. Initial jobless claims dropped more than expected to 367,000 for the period ending January 28th and the four-week moving average of unemployment claims is now down to 376,000. Continuing claims also fell more than anticipated. ADP employment figures released during the week showed companies added 170,000 workers in January.
- At the same time, non-farm U.S. worker productivity increased at a 0.7% annual rate in the fourth quarter, following a revised 1.9% gain the prior quarter. Unit labor costs were up 1.2%.

- Personal income in the U.S. rose 0.5% in December from the prior month, with a 0.4% gain in wages and salaries. Consumer spending was flat in December which helped push the savings rate up to 4% from 3.5% in November, the highest rate since August, 2011. Real spending was down 0.1%.
- Consumer confidence as measured by the Conference Board unexpectedly fell to 61.1 in January from a revised 64.8 in December. This in contrast to other measures indicating that consumer confidence is climbing. The Bloomberg Consumer Comfort Index increased to -44.8 for the period ending January 29th, up from -46.4 the prior week.
- Following up on his State of the Union address, President Obama announced new measures to boost refinancing activity; though opposition from Congress will likely inhibit implementation of such measures. Mortgage applications, as measured by the Mortgage Bankers Association (MBA) Index decreased 2.9% for the week ending January 27th.

The Week Ahead:

- Tuesday, February 7: **Consumer credit** data and **Redbook** reported
- Wednesday, February 8: **MBA purchase applications** data released
- Thursday, February 9: **Jobless Claims** and **Wholesale Trade** data reported
- Friday, February 10: **International Trade** and **Consumer Sentiment** numbers reported. **Treasury budget** released.

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