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**2011 ENDS WITH MIXED RESULTS, MORE OF THE SAME EXPECTED IN 2012
ACCORDING TO FARMERS AND MERCHANTS TRUST COMPANY**

LONG BEACH, Calif. – Jan. 20, 2012 – Stifled by widespread market volatility and a prevailing aversion to high-risk investments, 2011 ended with mixed results. This trend is expected to continue throughout 2012 as the markets grapple with a global debt crisis and U.S. elections loom, according to [Farmers and Merchants Trust Company](#)'s (FMTC) December Economic Commentary.

“Recent stop-gap liquidity measures and mild economic growth have suggested that recovery is on the horizon; however, widespread concerns remain surrounding a long-term, sustainable recovery,” said Jay Ferrara, vice president and investment officer with FMTC. “With volatility expected to continue, we recommend investors focus on principal preservation strategies rather than short-term growth.”

Key developments for the month of December include the following:

- U.S. equity markets ended the year on a positive note, although international markets continued trending downward.
- Large cap stocks outperformed small cap stocks, with investor sentiment tilted toward reliable and predictable growth.
- U.S. Treasuries ended 2011 strong, emphasizing the “flight to quality” mindset of many investors.
- Government intervention provided a temporary respite for foreclosure activity, but housing prices will continue to tick down in 2012 as delinquencies, foreclosures and housing supply picks up again.
- The U.S. debt ceiling continued to expand, now passing \$15 trillion.
- U.S. economic data remains mixed. Income growth is slowing, while 2011 GDP will miss original estimates.
- Realistic solutions to the European debt crisis remain elusive. The European Central Bank (ECB) has stepped in with an unlimited three-year borrowing facility for banks, but through the end of December, banks appear to be parking these loans back at the ECB at a cost of 75 basis points.

According to Ferrara, a multi-tiered solution will be required to emerge from the current climate of volatility. “Growth is part of the solution, but the rate of growth needed to overcome current deficit levels as a singular solution is beyond what will be witnessed in 2012. Conservatism and prudence will be required to navigate the ongoing uncertainty in the markets,” said Ferrara.

Farmers and Merchants Trust Company publishes its Economic Commentary on a monthly basis, providing insights and projections based on key economic indicators. [The December report can be downloaded here.](#)

About Farmers and Merchants Trust Company

Farmers and Merchants Trust Company is the oldest, continuously operating trust company in California, serving multiple generations since 1920. Farmers and Merchants Trust Company was founded in its current Long Beach location, 302 Pine Ave., by the Walker family and expanded to Orange County, at 24300 Paseo de Valencia, Laguna Hills, in 2000. The Trust Company provides full-service traditional personal trust management services as well as professional investment management for a full range of clients.

Statement on Projections

The Economic Update views expressed are those of Farmers and Merchants Trust Company and are based upon information believed to be reliable. FMTC makes no representation or warranty to the accuracy of the information. The views are subject to change at any time in response to changing circumstances in the market and are not intended to predict or guarantee future performance of any individual security, market sector or the markets in general.

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