

## Market's Recent Slide Reflects Uncertainty about Big Picture

Stocks closed essentially unchanged Monday, with enthusiasm for corporate buyouts offset by investor fears over a slowing U.S. economy, Greece's worsening debt situation and uncertainties about what the imminent end of the Fed's monetary stimulus program (QE2) could mean for equities. The market's slow but steady decline over the past six weeks has now brought the S&P 500 Index more than 6% below the highs reached at the end of April. For perspective, this is the eighth time stocks have corrected more than 5% since the March 2009 market bottom.

News of VF Corp.'s \$2 billion buyout of Timberland and private-equity firm Roark Capital Group's \$430 million buyout of Arby's Restaurant Group were among several deals signaling that some investors find current stock valuations attractive. However, Monday's trading also was impacted by an aggressive downgrade of Greece's credit rating by Standard & Poor's, which indicated that it believes a default on the country's debts within the next year is increasingly likely. While Greece's economy is relatively small, some investors fear that larger European economies, particularly Spain's, might be drawn more deeply into the eurozone's debt problems.

	06/13/11 Close	04/29/11 Close	Change	Gain/Loss
DJIA	11,953.00	12,810.54	-857.54	-6.69%
NASDAQ	2,639.69	2,873.54	-233.85	-8.13%
S&P 500	1,271.83	1,363.61	-91.78	-6.73%

Investors appear to be struggling to reconcile the micro outlook – U.S. corporate profit margins are at impressive levels and earnings are robust – with anxieties about the macro picture, which is dominated by fears of an economic slowdown in Asia, squabbling in the eurozone and the current impasse in Washington over how to cut the federal deficit and whether to raise the nation's debt ceiling. In addition, recent U.S. economic news has not been encouraging, with unemployment rising and housing prices slipping.

Bulls and bears constantly contend for control of the market, with each side prevailing for varying periods of time before giving way to the other. And while short-term fluctuations provide interesting statistics – for example, the Dow's six-week slide was its longest since 2002 – what ultimately matters is the long-term trend and, of course, the returns in your individual portfolio. And while there are times when it's difficult to determine the market's immediate direction, it's important to recognize that when dividends are included, equities historically have provided investors with attractive long-term returns.

Investing involves risk, and investors may incur a profit or a loss. Past performance is not an indication of future results. Investors cannot invest directly in an index. The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. The performance mentioned does not include transaction costs, which would reduce an investor's return. Dividends will fluctuate and are not guaranteed.