

September Surge Puts Third Quarter Solidly Ahead

Spurred by the strongest September performance in 71 years, stocks finished the third quarter solidly in the black as investors focused more on the possibility of additional stimulative measures from the Federal Reserve and less on the chances of the economy falling back into a double-dip recession. Meanwhile, gold prices continued to soar and the dollar slumped against other major currencies. On the fixed income front, yields on the bellwether 10-year Treasuries dipped below 2.5% in August and September.

After a steady August decline that wiped out most of July's gains, stocks shouldered their way higher in almost every trading session during September. Investors were cheered by signs of strength in capital spending, an absence of bad news from Europe and a number of corporate acquisitions that signaled companies were willing to spend some of their sizable cash reserves. In all, investor optimism generated impressive gains for the major equity indices this quarter (see figures below).

	9/30/10 Close	6/30/10 Close	Change	Gain/Loss
DJIA	10,788.05	9,773.79	+1,014.26	+10.28%
NASDAQ	2,368.62	2,109.70	+258.92	+12.27%
S&P 500	1,141.20	1,030.68	+110.52	+10.72%

There was a final-day flurry of encouraging economic news as the third quarter closed. The Commerce Department revised its earlier estimate of second-quarter economic growth to 1.7% from 1.6%, the closely-watched Chicago purchasing managers' index jumped to 60.4 in September, well above the consensus forecast of 56.0; and the number of U.S. workers filing new claims for jobless benefits in the week ended September 25 dropped by more than expected.

Stock gains in the third quarters were broad-based, with the telecom, consumer goods and services, and industrials sectors posting the strongest advances. Investors are now looking ahead to upcoming economic reports, election results and further signals from the Fed, whose governors are scheduled to meet next on November 2 and 3.

As we head into the final quarter of 2010, investors face significant uncertainties on a number of fronts. A carefully considered strategy is more important than ever. If you'd like to review your current holdings and discuss whether your portfolio is optimally positioned for your investment objectives, I'd be pleased to assist you with that. Just give me a call.

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. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise. US government bonds are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. US government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Investing in precious metals is generally considered speculative due to the significant potential for investment losses.