

Stocks End Month Ahead Despite Late Weakness

Stocks moved higher in January, with the S&P 500 index coming close to the 1,300 level it last saw in September 2008 before retreating late in the month on concerns about unrest in the Middle East and a lower-than-expected reading on fourth-quarter economic growth in the U.S.

The strong surge in equities that began late last year carried over into 2011, but faltered as investors worried about the impact any closure of Egypt's Suez Canal might have on oil prices. Although the situation in Egypt remained in flux as the month ended, stocks finished the last day of trading ahead.

Corporate earnings reports and economic signals were generally positive throughout the month, with Standard & Poor's estimating that revenues for companies in its S&P 500 index would advance 8.1% year-over-year in the fourth quarter. Rising consumer confidence was reflected in a Commerce Department report that consumer spending jumped 0.7% in December, ahead of forecasts and making the final quarter of 2010 the best quarter in more than four years for this key indicator. The nation's total output of goods and services (GDP) grew at an annual rate of 3.2% in the fourth quarter – a solid performance, but slightly below what some investors had been expecting.

As January came to a close, most major indices posted gains:

	1/31/11 Close	12/31/10 Close	Change	Gain/Loss
DJIA	11,891.93	11,577.51	+314.42	+2.72%
NASDAQ	2,700.08	2,652.87	+47.21	+1.78%
S&P 500	1,286.12	1,257.64	+28.48	+2.26%

Not all of January's news was good. Housing prices continued to fall in many areas, and unemployment remained stubbornly high. However, hiring showed signs of picking up, a welcome indication that employment gains might eventually provide the wherewithal to stem and perhaps even reverse the declines in home values.

With corporate profits strong, interest rates and inflation still low, and many forecasters calling for 2011 GDP growth of 3.5% or higher, investors have remained generally bullish while maintaining a wary eye on developments overseas. As with all bull markets, there are worries – ranging in this case from a slowdown in emerging markets growth, a renewal of sovereign debt problems in the Eurozone and now, questions about what unrest in Egypt and elsewhere might mean for global commerce. Nonetheless, equities finished January in the black and have regained much of the ground they lost during the financial crisis, a welcome way for investors to begin a new year.

With tax time coming up shortly and Washington's late-December compromise on taxes changing the playing field for 2011 and 2012, this may be an opportune moment to review your financial plan. If you'd like to discuss any of these concerns, just give me a call.

The performance noted does not include transaction costs, which would reduce an investment's returns. There is no assurance that the forecasts mentioned will occur.

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. Gross Domestic Product is the annual total market value of all final goods and services produced domestically by the U.S. Technology and emerging market investments are not suitable for all investors.