

Stocks Finish August on Upswing after Wild Month

A set of encouraging economic reports on Wednesday propelled stocks to their fourth straight winning session as one of the market's wildest months ever came to a close. The reports showed an increase in private-sector hiring, better-than-expected manufacturing activity in the Chicago area and an increase in factory orders nationwide – all good signs for investors who have alternated between fear and hope throughout the month. However, stocks were negatively impacted after the Justice Department sued to block AT&T's proposed \$39 billion takeover of T-Mobile USA Inc. and the Greek parliament said a worsening recession will weigh on the country's debt.

Investors were rocked by a string of bad news early in the month as Washington's brinkmanship over the debt ceiling was followed by Standard & Poor's historic downgrade of the United States' credit rating. Those events intensified an ongoing market correction that by August 8 saw the S&P 500 down 18% from its late-April high point. The market gyrated wildly all that week, with the roller-coaster ride continuing until August 22, when stocks finally settled down and began a recovery that left them down slightly for the year but further down for the month, as the chart below shows.

	8/31/11 Close	7/29/11 Close	Change	Gain/Loss
DJIA	11,613.50	12,143.24	-529.74	-4.36%
NASDAQ	2579.46	2,756.38	-176.92	-6.41%
S&P 500	1218.89	1,292.28	-73.39	-5.68%

Investors who had been hoping for additional stimulus from the Federal Reserve Board were disappointed last week when Fed Chairman Ben Bernanke, who one year ago announced the monetary stimulus known as QE2, this year said only that the central bank would keep interest rates low through 2013 and consider additional measures. With unemployment remaining high, investors are now looking ahead to September 7, when President Obama has scheduled a major speech on jobs, and to the Fed's next meeting, which has been expanded to two days and takes place September 20-21.

The market continues to be torn between two opposing viewpoints. Many investors fear that feeble U.S. economic growth could turn into another recession and that the eurozone's debt problems could escalate, damaging the global economy. Others point to the reality that corporate earnings and balance sheets are very strong and note that authorities are clearly aware of the risks to economic growth. Two important economic indicators come in later this week, a national manufacturing activity survey today (Thursday) and on Friday, the Labor Department's August employment situation report.

For additional insights on the current economic situation, check out the most recent edition of *Professionally Speaking* featuring Raymond James Chief Economist Scott Brown, Ph.D. You can access this audio presentation by visiting the Raymond James website at www.raymondjames.com/experts/brown.htm.

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