Stocks Shrug Off Oil Worries, Post Strong February Performance

Stocks turned in another strong monthly performance, with February's gains extending an extraordinary bull market that has seen the S&P 500 flirt with numbers that double its 2009 low. That broad market average has risen faster than at any time in the last 75 years, taking just over 500 trading days to hit 1,343.01 on February 18 – almost 100% above its financial crisis low of 676.53 on March 9, 2009 – before retreating somewhat near the end of the month on concerns over unrest in the Middle East. Nevertheless, the S&P 500's gain of 3.19% was the strongest February showing since 1998 for the widely followed index.

Energy stocks have been particularly strong, with the traditional safe haven of gold also rising above $1,400 an ounce and the U.S. dollar touching its lowest point since last November. Volatility in equities was evident, with stocks posting their biggest weekly loss in three months during the week ended February 25. However, the overall trend remained resolutely upward, as shown in the chart below.

	2/28/11 Close	1/31/11 Close	Change	Gain/Loss
DJIA	12,226.30	11,891.93	+334.37	+2.81%
NASDAQ	2,782.27	2,700.08	+82.19	+3.04%
S&P 500	1,327.22	1,286.12	+41.10	+3.19%

Investors had a variety of economic news to digest in February. Evidence that the recovery is still tentative came in the form of a downward revision of growth in gross domestic product, the nation's total output of goods and services. The Commerce Department said GDP increased at an annualized rate of 2.8% in the fourth quarter of 2010, lower than its initial estimate of 3.2% but still an acceleration from previous quarters. Meanwhile, consumer spending rose less than expected in January, with Commerce reporting a 0.2% gain instead of the 0.4% that was widely forecast. Bad winter weather may have been a factor.

Consumers still appear upbeat, however. The Thomson Reuters/University of Michigan consumer-sentiment index rose to 77.5 in February, up from 74.2 in January and the highest level in three years. Separately, the Institute for Supply Management-Chicago Inc.'s business barometer – a measure of manufacturing strength – advanced to 71.2 in February, from 68.8 in January, its highest level since July 1988.

With interest rates remaining low, the economy continuing to expand and corporate profits staying strong, investors are demonstrating an appetite for equities that is thus far fuelling one of the strongest bull markets in recent memory.

While no one knows what the market will do, the significant advance in equities we've experienced over the past two years may mean that it's time to consider rebalancing your portfolio. If you'd like to discuss that – or have any other questions or concerns about your overall plan – please give me a call.

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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. Energy stocks generally involve greater risks.