

Stocks Flat, Retain Gains of Prior Months

After a two-month run that took broad averages up more than 10%, stocks ended November about where they began as investors digested conflicting news – encouraging statistics about the domestic economy and corporate profits contrasted with worrisome signs that several European economies were on shaky financial ground.

On the plus side was a Commerce Department report that revised growth in the nation's Gross Domestic Product for the third quarter to 2.5% (annualized), up from the original estimate of 2%. Commerce also said that corporate profits for the third quarter, in nominal or noninflation-adjusted terms, hit their highest levels since the government began keeping track more than 60 years ago. Since bottoming in the fourth quarter of 2008, corporate profits have grown for seven consecutive quarters, spurred by increasing productivity and, more recently, a pickup in consumer spending. Wages and salaries also rose in the third quarter, a positive omen for the important holiday shopping season.

The sideways movement of the market in November is reflected in the minor changes in the broad averages seen below.

	11/30/10 Close	10/29/10 Close	Change	Gain/Loss
DJIA	11,006.02	11,118.49	-112.47	-1.0%
NASDAQ	2,498.23	2,507.41	-9.18	-0.4%
S&P 500	1,180.55	1,183.26	-2.71	-0.2%

Offsetting this welcomed domestic news were worries that Europe's sovereign-debt crisis, which has already engulfed Greece and Ireland, could spread to include Portugal, Italy, and Spain. As Europe's fourth-largest economy, the problems of Spain, which include a housing market collapse and unemployment of around 20%, are of particular concern to investors. With the United Kingdom and several other countries embarking on severe austerity measures, investors fear that economic growth in the 16-nation eurozone will be minimal at best. There is also apprehension that China's economic growth may slow as authorities there begin to raise interest rates.

Markets seldom move in straight lines for long and stocks had risen sharply since late August when Federal Reserve Board Chairman Ben Bernanke promised that the Fed would take measures to boost the U.S. economy. Investors now appear to be waiting for more clarity on developments in Europe, holiday retail sales, and tax policy decisions in Washington before making significant moves in their portfolios.

With 2011 right around the corner and the global markets sending conflicting signals about what lies ahead, this is a good time to think about whether your portfolio is properly positioned for the future. If you'd like to discuss any year-end changes that might be indicated, just give me a call.