

# Market Update

Individual solutions from independent advisors

JEFF BRAYTON, FINANCIAL ADVISOR

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January 2012

## Upcoming Events

# 2012 Economic & Market Update

**Volatile markets have left investors wondering which way to turn.**

Please join Jeff Brayton, Financial Advisor, as he directly addresses the causes of this volatility and where markets may be headed in 2012:

- *How have markets held up despite all the bad news?*
- *How might the European crises impact the U.S?*
- *What's next for the deficit now that the Super committee failed?*
- *Has the housing market finally bottomed?*
- *Why are interest rates so low and when might they rise?*

DATES: Wednesday, January 25, 2012                      Tuesday, January 31, 2012

TIMES: 8:30- 10:00 am **OR** 6:00-7:30pm                      6:00-7:30 pm

LOCATION:                      Rahi Executive Center  
23550 Harper Avenue, St. Clair Shores  
(Harper between 9 & 10 mile)

RESERVATIONS                      Rochelle Probst  
**By January 11, 2012**                      586-498-0788  
[rochelle.probst@raymondjames.com](mailto:rochelle.probst@raymondjames.com)

*\*Please include which day and time you will be attending*

*\*There is no charge for this event*

*\*Light snacks and beverages will be served*

**Securities offered through Raymond James Financial Services, Inc. Member FINRA/SIPC**



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## Financial and Investment Planning

### Preparing to Invest

“Before you think about buying stocks, you ought to have made some basic decisions about the market, about how much you trust corporate America, about whether you need to invest in stocks and what you expect to get out of them, about whether you are a short-or-long-term investor, and about how you will react to sudden, unexpected, and severe drops in price. It’s best to define your objectives and clarify your attitudes (do you really think stocks are riskier than bonds?) beforehand, because if you are undecided and lack conviction, then you are a potential market victim, who abandons all hope and reason at the worst moment and sells out at a loss. It is personal preparation, as much as knowledge and research that distinguishes the successful investor from the chronic loser. Ultimately it is not the stock market nor even the companies themselves that determine an investor’s fate. It’s the investor.”

Every January for the past five or six years, I have included this passage in our newsletter. The words were written by Peter Lynch in the introduction to his classic book, “One Up on Wall Street.”

Please take a moment right now to re-read this passage slowly and deliberately. I consider these to be the five best sentences ever written on the topic of investing. In fact, as markets swung wildly up and down during the past year, Mr. Lynch’s words of wisdom could have saved a lot of investors from panicking out at exactly the wrong time.

Amazingly, at the end of a very volatile year, U.S. equity markets ended up very close to where they started. The S&P 500 lost less than one-half of 1% for the year and the Dow increased by 5.5% (source: WSJ). The gains in the Dow stood out compared to almost all other countries as the select returns on the following page show:

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## Financial and Investment Planning *continued*

Benchmark stock market indexes, ranged by 2011 performance in local currency terms.

USA	Dow Jones Industrials	+ 5.53%
U.K.	FTSE 100	- 5.55%
Germany	DAX	-14.69%
France	CAC40	-16.95%
Canada	S&P/TSX	-11.07%
Australia	ASX	-14.51%
Japan	Nikkei	-17.34%
Hong Kong	Hang Seng	-19.97%
China	SSE Composite	-21.68%
India	Sensex	-24.64%
Brazil	Bovespa	-18.11%
Argentina	Merval	-30.11%

“Many experts see the outperformance of U.S. markets this past year as a reflection of the strength and resiliency of the American economy, particularly in this period of unusual global stress and uncertainty”.

Sources: Dow Jones Indexes; WSJ Market Group Data; Thomson Reuters

Many experts see the outperformance of U.S. markets this past year as a reflection of the strength and resiliency of the American economy, particularly in this period of unusual global stress and uncertainty.

Even within the U.S. equity market there was a divergence in performance. The Dow outperformed the broader S&P 500 and Russell 2000 indexes by over 5% and 10% respectively. This is a dramatic turnaround from 2009 and 2010 and shows a change in investor preference toward the larger and higher quality blue chip companies that make up the Dow Jones index.

These cycles of over and under performance in different indexes and asset classes are impossible to predict on a yearly basis which is one of the reasons we recommend our clients hold widely diversified portfolios with multiple asset classes.

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## Financial and Investment Planning Continued

These uncertain return patterns can also result in a portfolio becoming too heavily concentrated in specific sectors or asset classes which is why we stress monitoring and rebalancing as important aspects of our investment management process.

It wasn't very long ago that I was hearing and reading many experts who believed investors should be selling their U.S. investments in favor of emerging markets like China and India. A year like 2011 demonstrates the danger of being underweighted in U.S. investments and overloading in any one country or region in the world.

**I will be talking in much greater depth about these issues and giving our firm's forecast for 2012 at our annual Economic and Market Update later this month. The session times and locations are on the first page of this newsletter and I hope you will reserve a spot as soon as possible. These continue to be very volatile times and I will be providing information to help keep investors on track toward achieving their financial goals.**

Stocks ended a volatile year, almost exactly where they started, and bonds performed well as investors sought safety.

### Major Stock Indexes

SOURCE: THE WALL STREET JOURNAL

(As of 12/31/11)\*

S&P 500 Index	-	0.0%
Dow Jones Industrials	+	5.5%
NASDAQ Composite	-	1.8%
Dow Jones World Index (ex U.S.)	-	16.3%
Russell 2000 (Small Cap Index)	-	5.5%
S & P Mid-Cap 400	-	3.1%

### Major Bond Indexes

US Treasury –Long Term	+	19.2%
U.S. Treasury – Intermediate	+	3.6%
Barclays/U.S. Aggregate	+	7.6%
U.S. Corporate—Barclays	+	7.8%

- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

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The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market. The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system. The Dow Jones industrial Average (DJIA) represents 30 major industrial companies. The Russell 2000 index is an unmanaged index of small cap companies which generally involves greater risks.

Bond prices and yields will fluctuate with market conditions and may be worth more or less upon redemption. When suitable, high-yield bonds should only represent a modest portion of a portfolio. Treasuries are among the most secure investments when held to maturity

The information contained in this report does not purport to be a complete description of the securities, markets, or developments referred to in this material. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any opinions are those of Jeffrey Brayton and not necessarily those of RJFS or Raymond James. Expressions of opinions are as of this date and are subject to change without notice. This information is not intended as a solicitation or an offer to buy or sell any security referred to herein.

## Office and Personal

Our daughter, Lauren, came home from MSU in mid-December for her holiday break. She stayed with us and was able to spend some time shadowing a local M.D. and Physicians Assistant (P.A.) at an emergency clinic.

On New Year's Day, she headed out West to ski for a couple of days with five busloads of Spartan students. I have a feeling she will return to East Lansing a little tired and sore, but fortunately 21 year olds bounce back quickly.

It was a well deserved break for Lauren. She has continued to work a couple of days every week at a long term care facility just off campus while taking classes towards a degree in Kinesiology. Her goal continues to be to become a P.A. and she will start applying to P.A. schools this coming summer.

Danielle has been accepted to several colleges and she is in the process of making her final campus visits before deciding where she will be headed off to next fall. She turned 18 on January 5<sup>th</sup>, and like most kids her age, she is still not sure what she wants to study for a career.

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### Office and Personal Continued

She has also been helping our previous Office Manager, Dawn, with her new business on a part-time basis. I'm personally happy to see her getting some firsthand experience working at a business in its start-up phase, and she tells me that Dawn has been very willing to answer questions and help her understand the business. This is the kind of experience you just can't get at any college.

Mary Ellen continues to build her private counseling practice. She has an office in Royal Oak that she is sharing with a partner. She focuses on individuals in transition as reflected in her company's name, Transitional Counseling.

I hope that everyone had a safe, healthy and happy New Year. We are looking forward to the challenges and opportunities that 2012 will certainly bring.

Thank you for taking the time to read our newsletter and for your continued trust and confidence.

Warm Regards,

*Jeff Brayton*

Jeff Brayton, Financial Advisor

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