



February 2, 2012

Stocks Post Strongest January Since 1997

Stocks staged their strongest January advance in 15 years despite absorbing negative news on the month's last day of trading. Although the broad averages were little changed Tuesday, the S&P 500 has now rallied more than 200 points since its low point last October as investors have gained confidence in the domestic economy's halting but nonetheless upward path.

Broad market averages had been well ahead early in the session after members of the European Union agreed to move closer to fiscal union and also approved a permanent bailout fund for the Eurozone. In addition, negotiations between Greece and its private creditors over a debt restructuring appeared to be moving toward an agreement. However, investors turned cautious after the Conference Board said its index of consumer confidence declined to 61.1 in January from a revised 64.8 in December. The new level was well below the 68.0 reading generally expected by economists. Adding to concerns was news that U.S. home prices fell again in November, according to the Standard & Poor's Case-Shiller home-price indexes.

Despite a mixed session at month's end (the Dow Jones Industrials declined 20.81, or 0.16%; the S&P 500 fell 0.61, or 0.05%; and the Nasdaq advanced 1.90, or 0.07%. equities finished January with robust gains.

	1/31/12 Close	12/30/11 Close	Change	Gain/Loss
DJIA	12,632.90	12,217.56	+415.34	+3.40%
NASDAQ	2,813.84	2,605.15	+208.69	+8.01%
S&P 500	1,312.40	1,257.60	+54.80	+4.36%

Shareholders were upbeat last week when the Federal Reserve Board said it planned to keep short-term interest rates at exceptionally low levels "at least through late 2014" and also signaled that the central bank may restart a bond-buying program meant to push down long-term rates. The Fed previously had said short-term rates would stay near zero at least until mid-2013. The Fed also adopted a specific inflation target – a 2.0% annual rate in the PCE Price Index, which is similar to the CPI, but adjusts for changing patterns of consumption – and reaffirmed its dual mandate of controlling prices while also achieving maximum sustainable employment. Fed officials have indicated that they believe the appropriate unemployment rate target is currently between 5.2% and 6.0% – higher than it was before the financial crisis.

The behavior of equities in January is closely monitored by market watchers seeking indications of how stocks will perform for the full year. However, a first-month rally does not always hold the promise of later gains. Last year, for example, the S&P 500 advanced more than 2% in January but finished 2011 essentially unchanged.

While a strong start to the year is certainly welcome, investors must remain vigilant as 2012 unfolds since many of the issues that generated volatility last year remain unresolved. As always, a carefully considered long-term strategy is the key. Please feel free to contact me with questions or concerns about your financial plan.

Sincerely,

Hager, Dennerll & Stacy Wealth Solutions of
Raymond James & Associates, Inc.

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. International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability.

T 513.287.6778 // F 513.287.6788
255 E. 5th Street, Suite 2210, Cincinnati, OH 45202
www.hdswealthsolutions.com