



January 3, 2012

Stocks Leave Flat Year Behind, Open 2012 with Sharp Rally

Stocks staged a sharp rally on the first trading day of 2012, leaving behind a year that saw tremendous volatility but essentially no change for broad U.S. market indices. Buoyed by a strong report on American manufacturing and news of economic growth in China and India, the Dow Jones Industrial Average was up 179.82 points, or 1.47%, on Tuesday, while the S&P 500 rose 19.46, or 1.55%, and the NASDAQ advanced 43.57, or 1.67%.

The opening session's gains were a welcome change from December, when stocks were flat and from 2011 as a whole, which took investors on a wild ride that included 69 days in which 90% of the S&P 500 stocks moved in the same direction. When the smoke had cleared, the blue-chip Dow was up 5.5% in 2011, while the S&P 500 was off a tiny 0.003% and the tech-heavy NASDAQ lost 1.8%.

	12/30/11 Close	12/31/10 Close	Change	Gain/Loss
DJIA	12,217.56	11,577.51	+640.05	+5.53%
NASDAQ	2,605.15	2,652.87	-47.72	-1.80%
S&P 500	1,257.60	1,257.64	-0.04	-0.003%

Looking back at 2011, investors were generally optimistic as the year began, citing a record \$2 trillion in cash on corporate balance sheets, record profit margins and an improving U.S. economy. Despite higher oil prices and a tragic tsunami and nuclear accident in Japan, stocks reached a three-year high in April. However, things began to unravel after that, as European leaders grappled with a steadily worsening debt crisis and political squabbling over the U.S. debt ceiling took the nation close to default and put investors in a dark mood. Matters came to a head in August when Standard & Poor's issued a historic downgrade of the U.S. credit rating and markets gyrated wildly, with the Dow bouncing up and down by 400 points or more for four straight days. The Dow dropped 4.4% in August, its worst decline of the year, and stocks moved inconclusively throughout the balance of 2011.

The twin problems of uncertainty and volatility sent investors scurrying for safety in 2011, with U.S. debt remaining a preferred haven despite the rating downgrade. Treasury bonds had their best year since the 2008 global financial crisis, with the benchmark 10-year yield ending 2011 below 2% for the first time since at least 1977, down 1.45 percentage points for the year. Investors also preferred U.S. stocks – foreign markets were off substantially in 2011, with British shares down 5.6% for the year, German equities declining 14.7%, and Japanese stocks falling more than 17%.

Going forward, investors will be focused on U.S. job growth, including the unemployment report due this Friday, fourth-quarter earnings reports, and Europe's ongoing debt problems. Other factors weighing heavily on the markets include the upcoming U.S. elections and uncertainties regarding taxes.

As 2012 begins, many of the factors that worried investors last year are still with us, and more volatility may lie ahead. In that context, avoiding emotional decisions is a great New Year's resolution. I will be communicating with you about market events that may have implications for your portfolio. In the meantime, please contact me with any questions.

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