



June 1, 2011

Equities Retreat on Worries about U.S. Economy, Eurozone

The rally that had propelled equities in April to their highest point in three years paused in May, with concerns over slowing economic growth in the U.S. and sovereign debt problems in Europe among the issues weighing on investors. Stocks slid throughout May, posting four straight weekly declines before ending the month strongly on the last trading day.

As it did last year at this time, the U.S. economy has entered a soft patch, with first-quarter economic growth slowing to 1.8% after rising 3.1% in the final quarter of 2010.

Higher gasoline prices, an unemployment rate of 9% and the ongoing decline in home prices are restraining consumer spending, which grew at an annualized rate of 2.2% in the first quarter compared with 4% in the final three months of 2010. The Conference Board's index of consumer confidence dropped to 60.8 in May, down from 66.0 in April and the lowest reading for the index since last November. Overseas, fears that Greece will be just the first of several eurozone nations to require debt restructurings also made investors wary.

| | 05/31/11 Close | 04/29/11 Close | Change | Gain/Loss |
|---------|----------------|----------------|---------|-----------|
| DJIA | 12,569.79 | 12,810.54 | -240.75 | -1.88% |
| NASDAQ | 2835.30 | 2,873.54 | -38.24 | -1.33% |
| S&P 500 | 1,345.20 | 1,363.61 | -18.41 | -1.35% |

Investing is surrounded by ancient adages, one of which is "Sell in May and Go Away." These types of admonitions are almost guaranteed not to hold true, for the simple reason that if they did, everyone would follow them and that would change the equation. For example, going back to 1971, the S&P 500 has advanced about 0.7% between Memorial Day and the Fourth of July, even more when stocks were ahead for the year going into that period, as they were this year. Bottom line? Ignore the clichés and follow your strategic plan.

Going forward, investors will be watching to see what happens when the Federal Reserve Board ends its second round of quantitative easing, widely referred to as QE2, and tracking the outcome of continued wrangling in Washington over raising the nation's debt ceiling. Although various pundits have warned that interest rates could jump when QE2 ends and if the debt limit isn't raised, to date the bond markets seem generally unconcerned – interest rates have actually fallen slightly in recent weeks. As always, time will tell.

The short-term ebb and flow of stock prices can sometimes overshadow the reality that equities historically have provided attractive long-term results for investors. As such, they should be a component of most investors' portfolios. If you'd like to discuss your current portfolio composition – or if you have any other questions or concerns about your overall financial plan – please give me a call.

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. The performance mentioned does not include transaction costs which would reduce an investor's return.

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