



October 6, 2011

Stocks End Third Quarter on Down Note

The third quarter proved an eventful one in the markets, as stocks fell broadly on increased fears of recession, the possibility of a Greek debt default and general weakness in the U.S. economy. Those same fears also sent precious metals and other commodity prices lower. Uneven economic data spurred volatile buying and selling periods, causing the Dow, S&P 500 and Nasdaq to lose more than 12% this quarter.

The broad-market S&P 500 has lost 14.3% since the start of the third quarter – the biggest quarterly drop since the three months ended Dec. 31, 2008. The Dow dropped 12.1% over the quarter ended Sept. 30, 2011, marked by swings of more than 100 points over most of the trading days this quarter.

	10/3/11 Close	6/30/11 Close	Change	Gain/Loss
DJIA	10,655.30	12,414.34	-1,759.04	-14.17%
NASDAQ	2,335.83	2,773.52	-437.69	-15.78%
S&P 500	1,099.23	1,320.64	-221.41	-16.77%

European news and rumors caused the markets to gyrate wildly this summer in some of the most volatile trading on record. There's speculation that Greece will default in the upcoming weeks or months. To deter that possibility, Greece's government held an emergency cabinet meeting to plan new measures to bring its budget deficit in line, after warnings from its neighboring nations that efforts thus far were insufficient. Meanwhile, Greece's lenders and neighbors are doing what they can to prevent a default from causing worldwide financial panic. To that end, finance ministers from the eurozone are considering a second bailout in an effort to contain the debt crisis. Leaders are also looking to expand a more general rescue fund as a temporary solution to buy time. However, a lasting solution to Europe's debt crisis appears to be hindered by persistent squabbling over fiscal policy. For instance, the currency union's strongest economies, France and Germany, have proposed that countries coordinate their spending and borrowing more closely. But, several other countries see that as a threat to their sovereignty.

On the other hand, not all the economic news was negative. In recent weeks, 14 of the 18 weekly economic releases came in better than expected. For example, the National Association of Realtors reported sales of existing homes increased a greater-than-expected 7.7% in August. In addition, initial jobless claims decreased 9,000 to 423,000 while the four-week average edged up 500 to 421,000. Also, the Institute for Supply Management said U.S. manufacturing activity unexpectedly rose to 51.1 in September, up from 50.6 in August, higher than was forecast. Generally, a reading above 50 means the sector is growing. In a separate report, U.S. construction spending rose 1.4% in August, surprising the market, which had expected a decline. Raymond James Chief Economist Scott J. Brown, Ph.D., noted this recent economic data has been consistent with the forecast of lackluster-to-moderate growth in the near term – not a recession – although he cautions that the risk of a renewed downturn remains.

Additionally, in late September, the Federal Reserve launched "Operation Twist," its latest program designed to help the U.S. economy. The U.S. central bank bought \$2.5 billion of U.S. government debt due February 2036 to August 2041, causing longer-dated U.S. Treasuries' prices to reach session highs. The Federal Open Market Committee, known as the FOMC, will meet again Nov. 1-2, 2011.

In times of market volatility and economic uncertainty, it is very easy to be distracted by day-to-day headlines. However, year-end is a great time to refocus on the basic financial-planning fundamentals that underlie a sound financial plan. Let's set aside some time to review your financial plan and discuss proactive steps to take to ensure it's on track to meet your long-term goals. Please feel free to call me with any questions about this or any other financial matter. I'd be happy to help.

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 results.

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