



May 6, 2011

Stocks Surge to New Highs as Corporate Earnings Come in Strong

Equities delivered their best monthly performance of an already strong year as investors focused on strong corporate earnings reports, a renewed pledge from Federal Reserve Board Chairman Ben Bernanke to keep interest rates low, and the impressive vigor of the market itself. Ignored or minimized was seemingly important news such as a warning from Standard & Poors about a possible downgrade of the U.S. credit rating, a rise in inflation and a first-quarter slowdown in growth of the nation's Gross Domestic Product.

April's surge brought several major indices to new highs, reinforcing bull market believers and demonstrating the breadth of the advance. The benchmark blue chip S&P 500 has now more than doubled from its low of 676.53 set in March 2009, the Nasdaq Composite is at its highest level in a decade, showing the tech sector's strength; and both the Russell 2000 index of small-capitalization stocks and the Dow Jones Transportation Average have hit new highs for the year. Meanwhile, the Dow Jones Industrial Average and S&P 500 are both trading at their highest levels in almost three years.

	04/29/11 Close	03/31/11 Close	Change	Gain/Loss
DJIA	12,810.50	12,319.70	+490.80	+3.98%
NASDAQ	2,873.54	2,781.07	+92.47	+3.32%
S&P 500	1,363.61	1,325.84	+37.77	+2.85%

Earnings season is in full swing, with Bloomberg data showing first-quarter per-share earnings coming in above consensus estimates for about three-quarters of the roughly 300 companies in the S&P 500 that have reported so far. There are several types of earnings estimates on Wall Street, including those put out by companies themselves, those published by analysts, and so-called "whisper numbers," which are forecasts circulated among professional investors. Whisper numbers are generally considered the most accurate, and when a company exceeds those expectations, its stock often jumps. That phenomenon has been at work recently.

Positive earnings are confirming, among other things, that six straight months of expanding payrolls are helping consumer spending, which accounts for about 70% of the economy. Going forward, investors also will be focusing on negotiations in Washington over raising the nation's debt ceiling and the effects of the June termination of the Federal Reserve Board's bond-buying program, popularly known as QE2. For now, however, the reality of strong corporate earnings has overshadowed those concerns.

A strong stock market, while certainly most welcome, is not a substitute for a carefully considered and individually tailored financial plan. If anything has changed in your life that might necessitate updating your plan – or if you have any other questions or concerns – 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 Russell 2000 index is an unmanaged index of small cap securities which generally involve greater risks. The Dow Jones Transportation Average is an unmanaged index of 20 transportation stocks. The performance mentioned does not include transaction costs which would reduce an investor's return. Energy stocks generally involve greater risks.