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## Quarterly Market Review: April-June 2011

### The Markets

After strong first-quarter gains in the stock markets, it was mostly downhill from there. Following April's year-to-date highs, when the Russell 2000 hit its highest level on record, week after week of declines battered all four U.S. indices. However, a rally in June's final week left the Dow industrials the only one of the four major indices with a gain for the quarter, taking the lead from the small caps for 2011's first half. After breaking below 1,300, the S&P 500 barely managed to claw its way back to that level just before crossing the quarter's finish line, though it was negative for the quarter. The Russell 2000 suffered the most as investors preferred the reassurance of defensive sectors and large caps, while the NASDAQ escaped with barely a scratch. Meanwhile, saddled with Greece's woes, the Global Dow continued to stagger. Greece's debt problems caused investors to decide that despite the United States' budgetary woes, Treasuries didn't look so bad after all. As demand pushed prices up, yields on the 10-year fell below 3% before rebounding a bit.

Market/Index	2010 Close	As of 3/31	End of Quarter	Quarterly Change	YTD Change
DJIA	11577.51	12319.73	12414.34	.77%	7.23%
NASDAQ	2652.87	2781.07	2773.52	-.27%	4.55%
S&P 500	1257.64	1325.83	1320.64	-.39%	5.01%
Russell 2000	783.65	843.55	827.43	-1.91%	5.59%
Global Dow	2087.44	2186.41	2134.29	-2.38%	2.24%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.30%	3.47%	3.18%	-29 bps	-12 bps



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## **Quarterly Economic Perspective**

The financial markets heaved a sigh of relief as the Greek parliament agreed to implement a €28 billion, five-year program of spending cuts, tax increases, and asset sales. European leaders said the measures were a condition for receipt of the next slice of existing aid before key bond payments in July. Despite differences over whether and how to let bondholders such as banks suffer losses on Greek debt, the country's European colleagues also said Greece would likely receive a new aid package.

U.S. economic growth continued, but at a much slower pace. The Bureau of Economic Analysis said gross domestic product (GDP) rose by 1.9% compared to the previous quarter's 3.1%.

Consumer inflation over the last year hit 3.6%, though the Bureau of Labor Statistics said volatile food and energy costs were responsible for more than half of that. However, oil prices fell back to roughly \$90 a barrel, helped by the release of some of the world's strategic reserves in the wake of ongoing conflict in oil-rich Libya.

The nation maxed out its credit card as it went over the current \$14.3 trillion debt ceiling in May. Treasury officials warned that accounting measures could postpone the day of reckoning until August 2, but that after that date the Treasury will face the question of which bills go unpaid. As the clock kept ticking, congressional leaders argued over whether spending cuts, tax increases, or some combination of the two would be required before raising the limit on how much the Treasury can borrow to pay existing obligations.

The Federal Reserve's bond-buying program, nicknamed QE2, came to an end on schedule. Fed Chairman Ben Bernanke said the Fed will continue to reinvest the proceeds of existing holdings, and that those efforts will end before the Fed raises interest rates. It also forecast slower economic growth (2.7%-2.9%) for the rest of the year, but said some of the causes of the sluggishness should be temporary.

Unemployment rose slightly to just over 9% during the quarter, consumers were slower to spend, housing continued to struggle, and retail sales were hurt by supply-chain problems in the auto industry caused by the spring's Japanese disasters.

Call us today at (419) 784-2650 or (877) 367-8178 for more information or to schedule an appointment.

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*The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indexes listed are unmanaged and are not available for direct investment*

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