

Weekly Commentary April 4, 2011

First Quarter Review

Data as of 3/31/11	1st Quarter	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	5.4%	5.4%	13.4%	0.1%	0.5%	1.3%
DJ Global ex US (Foreign Stocks)	2.5	2.5	11.6	-2.9	1.4	5.6
10-year Treasury Note (Yield Only)	3.5	N/A	3.8	3.4	4.9	4.9
Gold (per ounce)	2.0	2.0	29.0	15.5	19.8	18.8
DJ-UBS Commodity Index	4.4	4.4	28.3	-5.6	0.5	4.9
DJ Equity All REIT TR Index	6.8	6.8	24.1	2.5	1.7	11.5

Notes: S&P 500, DJ Global ex US, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

N/A means not applicable.

STOCK MARKET RISES SHARPLY

It may not have felt like it, but the stock market, as measured by the S&P 500, rose 5.4% during the quarter. Despite some trying moments, the market rose “amid growing optimism that the recovery from the financial crisis had become self-sustaining, according to *The Wall Street Journal*. The stock market seems to have taken to heart the U.S. Postal Service commercial that said, “...neither snow, nor rain, nor heat, nor gloom of night, nor the winds of change, nor a nation challenged, will stay us from the swift completion of our appointed rounds.” In this case, the “appointed rounds” was a stock market that went up.

Here are the returns from a few other countries:

First Quarter Country Returns Based on the Dow Jones Global Indexes Ranked by U.S. Dollar Performance

Winners

Country	Percentage
Bulgaria	35.1
Romania	29.1
Hungary	19.6
Czech Republic	15.3
Russia	14.8

Other Notables

Country	Percentage
Greece	14.0
Germany	7.4

China	4.7
Brazil	2.0
Japan	-5.3

Source: Dow Jones Indexes

TURMOIL IN THE MIDDLE EAST AND NORTH AFRICA

Political instability in the world's leading oil-producing region sent shockwaves through the oil market. In fact, during a 13-day period in February, oil prices rose a stunning 25%. For the quarter, they rose 16.8% and settled above \$100 per barrel, according to *The Wall Street Journal*. Should oil prices remain above \$100 per barrel for an extended period, it could become a drag on global economic growth and may lead to pressure on stock prices. About the only good news on oil prices is they are still well below the \$145 per barrel price reached in 2008.

THE DOLLAR AIN'T WORTH WHAT IT USED TO BE

Pardon the poor grammar above, but the dollar keeps sliding. During the quarter, it lost 5.7% against the euro, 2.4% against the Japanese yen, 2.8% against the British pound, 1.2% against the Australian dollar, and 1.6% against the Brazilian real, according *The Wall Street Journal*. There was no flight to safety in the dollar during the quarter despite the Middle East problems, the Japanese triple tragedy, and the continuing sovereign debt issues in Europe.

Low interest rates in the U.S. appear to be the main culprit in keeping pressure on the value of the dollar. Low rates make the dollar less attractive relative to other countries that may offer higher rates. The good news is a weak dollar makes our exports cheaper and that may help some of our large, multi-national companies. Analysts are keeping an eye on the Federal Reserve for any sign of a change in monetary policy. Once they start raising rates, which many analysts don't expect until 2012, it could lend some support to the dollar, according to *The Wall Street Journal*.

FEAR IN THE MARKET

How scared are investors? One way to measure fear in the market is to look at the CBOE Market Volatility Index -- the "fear gauge" known as the VIX. This measure rose significantly during the height of concern over the Japanese earthquake. In fact, it jumped 20% in one day in Mid-March before declining 39% over the next week, according to *The Wall Street Journal* and Bloomberg. Despite all the gyrations, the VIX ended the quarter roughly flat.

SUMMARY

There's no shortage of things to worry about in the market, but the strength of the economy and the expectation that corporate earnings will hold up seem to outweigh any nervousness over geopolitical issues or natural disasters. Some key things to monitor over the next few months include commodity prices, interest rates, the status of QE2, and, of course, corporate earnings. As always, we have our hands full!

Weekly Focus – Think About It

“How much pain have cost us the evils that have never happened.” --*Thomas Jefferson*

- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.
- * The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.
- * Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.
- * The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.
- * The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- * Consult your financial professional before making any investment decision.
- * You cannot invest directly in an index.
- * Past performance does not guarantee future results.

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