Abel Financial Strategies
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Market Month: November 2011

The Markets

Europe's ongoing debt problems hurt domestic equities last month, causing them to reverse much of October's strong gains. The tech-heavy Nasdaq took the biggest hit, while a strong rally on the month's final day helped bring the S&P 500 and Russell 2000 up to just below even. The Dow--the sole gainer for the month--bounced in and out of positive territory for the year, managing once again to regain the 12,000 threshold it has been criss-crossing for weeks. Not surprisingly, the situation in Europe continued to weigh on the Global Dow.

Demand nudged the yield on the 10-year Treasury downward to just over 2%. Meanwhile, anxiety about the euro's future caused the currency to fall from $1.41 to $1.33 against the dollar. Despite that dollar strength, oil prices rose, once again closing in on $100 a barrel. And after a brief bounce back up to $1,800, gold retreated before recovering to roughly $1,740 an ounce.

Market/Index	2010 Close	Prior Month	As of 11/30	Month Change	YTD Change
DJIA	11577.51	11955.01	12045.68	.76%	4.04%
Nasdaq	2652.87	2684.41	2620.34	-2.39%	-1.23%
S&P 500	1257.64	1253.30	1246.96	-.51%	-.85%
Russell 2000	783.65	741.06	737.42	-.49%	-5.90%
Global Dow	2087.44	1898.33	1822.42	-4.00%	-12.70%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.30%	2.17%	2.08%	-9 bps	-122 bps

The Month in Review

- Despite bond-buying by the European Central Bank, the overseas debt debacle spread from Greece, Portugal, and Ireland to larger economies, costing the Greek and Italian prime ministers their jobs in the process. Yields on Italian and Spanish debt neared or exceeded the 7% level that triggered the need for bailouts in the smaller countries. As investors became more reluctant to lend in Europe, even France and Germany showed signs of weakness. By the end of the month, six central banks, including the Federal Reserve, adopted measures that would facilitate currency exchanges among the banks to increase liquidity in the global financial system, especially in Europe.
- The congressional supercommittee charged with finding ways to cut the national deficit by $1.2 trillion admitted it had been unable to do so. As a result, $1.2 trillion in across-the-board budget cuts, split roughly evenly between defense and other programs, are slated to be implemented in 2013. The dissent among committee members also raised questions about the potential for resolution of other issues, such as payroll tax cuts and unemployment benefits that are scheduled to expire at year's end.
- The U.S. economy grew 2% during the third quarter, a bit slower than the Bureau of Economic Analysis had previously estimated but still ahead of Q1's 1.3%. However, that didn't do very much for the unemployment rate, which the Bureau of Labor Statistics said edged down to 9%--exactly where it was in January.
- Strong sales of electronics and appliances helped push retail sales up 0.5% in October, according to the Commerce Department. Also, the National Retail Federation said there were 6.6% more shoppers hitting the Black Friday weekend sales this year, and they spent an average of 9.3% more than they did last year. Clothing and electronics were some of the most popular purchases.

However, durable goods orders fell 0.7%, hurt by lower demand for commercial aircraft.

- Lower energy costs helped reduce inflation at both the consumer and wholesale levels, the Bureau of Labor Statistics said. The Consumer Price Index fell 0.1%, while the wholesale index was down 0.3%. Also, the Bureau of Economic Analysis said that personal incomes and spending rose by 0.4% and 0.1% respectively, while the savings rate edged up to 3.5% of income.
- Housing starts dipped by 0.3% after strong growth the previous month, but were still 16.5% higher than the same time last year, and the Commerce Department said building permits were up 10.9%. Meanwhile, home prices as measured by the S&P/Case-Shiller national index remained lackluster during the third quarter, up a scant 0.1%. Those prices helped bring out buyers, as the Commerce Department said sales of new homes rose 1.3% from the previous month and 8.9% from last year.

Eye on the Month Ahead

Domestic equities will continue to react to the eurozone's struggles and/or progress with a solution to its debt problems. However, positive data suggesting that economic recovery might be picking up steam could fuel optimism. The fate of the payroll tax cuts and unemployment benefits that are scheduled to expire at the end of the month also could influence investors' assessment of the recovery's prospects in 2012, as could any sign of new supportive measures from the Federal Reserve.

Key dates and data releases: U.S. manufacturing, construction spending (12/1); unemployment/payrolls (12/2); factory orders, U.S. services sector (12/5); international trade, consumer sentiment (12/9); Federal Reserve Open Markets Committee announcement, retail sales, business inventories (12/13); import/export prices (12/14); wholesale inflation, Empire State/Philadelphia Fed manufacturing surveys, international capital flows, industrial production (12/15); consumer inflation, quadruple witching options expiration (12/16); housing starts (12/20); home resales (12/21); final Q3 gross domestic product (12/22); durable goods orders, personal income/spending, new home sales (12/23); home prices, consumer confidence (12/27); pending home sales (12/29).

Data sources for non-equities performance: U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold, NY close); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. Equities data reflects price changes, not total return.

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. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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