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# Market Month: April 2012

## The Markets

Weakening economic data and renewed anxiety about Europe brought equities' winning streak to an end in April. The small-cap Russell 2000 lagged its domestic peers, while the Nasdaq, which had been handily outperforming this year, had to battle a downdraft in Apple stock, one of the index's key components. The Dow managed to finish April basically flat, followed by the S&P 500, which couldn't quite manage to end the month above 1,400. The Global Dow was hurt by renewed concerns about slowing growth in China as well as Spain's economy and borrowing costs.

Those concerns and a lack of Fed interest in boosting interest rates helped drive 10-year Treasury yields back below 2%. Despite Spain's problems, the euro stabilized a bit to end the month at \$1.32, and oil prices stayed between \$101 and \$104 a barrel. And after a rough start, gold bounced back to end the month with a slight loss at roughly \$1,660 an ounce.

Market/Index	2011 Close	Prior Month	As of 4/30	Month Change	YTD Change*
<b>DJIA</b>	12217.56	13212.04	13213.63	.01%	8.15%
<b>Nasdaq</b>	2605.15	3091.57	3046.36	-1.46%	16.94%
<b>S&amp;P 500</b>	1257.60	1408.47	1397.91	-.75%	11.16%
<b>Russell 2000</b>	740.92	830.30	816.87	-1.62%	10.25%
<b>Global Dow</b>	1801.60	1998.88	1940.16	-2.94%	7.69%
<b>Fed. Funds</b>	.25%	.25%	.25%	0 bps	0 bps
<b>10-year Treasuries</b>	1.89%	2.23%	1.95%	-28 bps	6 bps

\*Equities data reflect price changes, not total return.

## The Month in Review

- U.S. payrolls rose at their slowest pace since October. According to the Bureau of Labor Statistics, the 120,000 new jobs only managed to cut the unemployment rate to 8.2%, though it was the 11th straight month of either stable or falling unemployment.
- U.S. economic growth slowed in the first quarter of 2011. The Commerce Department's initial estimate of gross domestic product was 2.2%, substantially lower than the previous quarter's 3%. Consumer spending picked up 2.9% in Q1, but business spending was off.
- There was pain in Spain as bond yields neared 6%, unemployment rose above 24%, and the country's economy officially fell into recession by shrinking for the second consecutive quarter. Standard & Poor's cut the nation's sovereign debt to BBB+ and warned of further downgrades; it also downgraded 11 of Spain's largest banks.
- Off with their heads: The frustration about Europe's finances that has previously brought down heads of state in Greece, Spain, and Italy took its toll on two more governments. French President Nicolas Sarkozy, a key German ally in crafting a eurozone financial battle plan, ran second to Socialist Party candidate François Hollande in first-round elections and will face a tough runoff contest in May. Also, the prime minister and cabinet of Holland resigned after failing to win budget cuts needed to meet eurozone debt guidelines.
- The Commerce Department said consumer spending rose 0.3% in March and incomes grew 0.4%, helping to nudge the savings rate

upward slightly to 3.8%. Meanwhile, retail sales were up 0.8%, and roughly 6.5% higher than a year earlier. The Bureau of Labor Statistics said the annual consumer inflation rate remained below 3% despite a 0.8% monthly increase, and inflation at the wholesale level was flat for the month.

- There was little encouraging news out of the housing market. The Commerce Department said new home sales were down 7.1% for the month, the S&P/Case-Shiller index of home prices hit its lowest level in almost a decade (down 3.5% year over year), and the National Association of Realtors® said sales of existing homes fell 2.6%. However, the Commerce Department also reported that housing starts, down 5.8% for the month, were still 10.3% higher than a year ago, while building permits--an indicator of future activity--were up 4.5% for the month and 30% from last year, though most of that was multifamily housing.
- Manufacturing data also was relatively weak. Durable goods orders fell 4.2% for the month, according to the Commerce Department, while the Fed's surveys of manufacturers in both the New York and Philadelphia regions showed slowing growth. The Fed also said industrial production was flat for the month, though gains earlier in the year left it up 5.4% for the quarter.
- Despite spotting hints of softening in the economy, the Federal Reserve's Open Market Committee gave little indication that a new round of quantitative easing post-QE2 is being contemplated.
- President Obama signed legislation that exempts emerging growth companies from certain securities regulations, making it less costly for them to go public. The Jumpstart Our Business Startups (JOBS) Act also reduces the amount of auditing and reporting required, and authorizes "crowdfunding" of startups. A second piece of legislation, the Stop Trading on Congressional Knowledge (STOCK) Act, makes it a criminal offense for public officials such as members of Congress, the president, and many federal employees to trade securities based on nonpublic knowledge obtained through their jobs. Finally, legislation based on the so-called "Buffett rule," which would have established a minimum 30% federal income tax rate for individuals earning at least \$1 million annually, failed to garner enough votes for further consideration in the Senate.

## Eye on the Month Ahead

Investors will try to gauge what the results of the May 6 French presidential election might mean for the eurozone's future. They also will begin assessing whether generally strong Q1 earnings reports are enough to offset dicey economic data, and whether those earnings are likely to continue into the rest of 2012.

Key dates and data releases: personal income/spending (4/30); construction spending, U.S. manufacturing, auto sales (5/1); factory orders (5/2); business productivity/costs, U.S. services sector (5/3); unemployment/payrolls (5/4); international trade, import/export prices, U.S. Treasury budget (5/10); wholesale inflation (5/11); consumer inflation, retail sales, international capital flows, business inventories, Empire State manufacturing survey (5/15); Federal Open Market Committee minutes, housing starts, industrial production (5/16); Philadelphia Fed manufacturing survey (5/17); home resales (5/22); new home sales (5/23); durable goods orders (5/24); home prices (5/29); pending home sales (5/30); second estimate of Q1 GDP (5/31).

*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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