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# Quarterly Market Review: April-June 2012

## The Markets

A strong finish in June couldn't overcome equities' difficulties earlier in the quarter as Greece narrowly avoided a showdown with its eurozone peers. The Dow and the S&P 500 held up the best, while the Nasdaq and Russell 2000 saw bigger quarterly losses. Nevertheless, the previous quarter's performance means that all four domestic indices still have strong gains year-to-date, with the Nasdaq in the lead for 2012.

Anxiety about Europe also led to skyrocketing demand for U.S. Treasuries; as prices rose, the 10-year yield hit a historic low in June. As the global economy showed signs of slowing, oil prices fell dramatically, ending at roughly \$85 a barrel. Despite a late-inning bounce, gold ended the quarter with a loss of roughly \$75 an ounce, while the struggles overseas helped the dollar gain almost 6% against the euro.

Market/Index	2011 Close	As of 6/29	Monthly Change	Quarterly Change	YTD Change
<b>DJIA</b>	12217.56	12880.09	3.93%	-2.51%	5.42%
<b>NASDAQ</b>	2605.15	2935.05	3.81%	-5.06%	12.66%
<b>S&amp;P 500</b>	1257.60	1362.15	3.96%	-3.29%	8.31%
<b>Russell 2000</b>	740.92	798.49	4.81%	-3.83%	7.77%
<b>Global Dow</b>	1801.60	1831.63	5.09%	-8.37%	1.67%
<b>Fed. Funds</b>	.25%	.25%	0 bps	0 bps	0 bps
<b>10-year Treasuries</b>	1.89%	1.67%	-8 bps	-56 bps	-22 bps

Equities data reflect price changes, not total return.

## Quarterly Economic Perspective

- Under pressure from Italy and Spain, European Union leaders agreed that a single body--possibly the European Central Bank--should oversee banks in all 17 eurozone countries, and that details should be finalized by year's end. Once that is in place, the current bailout fund and its replacement, the European Stability Mechanism, will be able to lend directly to struggling banks in countries whose governments have been struggling to assist them, such as Spain. The summit also reassured investors that any loans to Spain to help address its immediate debt crisis and soaring sovereign borrowing costs would not be treated as senior to existing bonds.
- Unemployment remained stalled at 8.2%, partly because more people are once again trying to reenter the workforce, and the first-quarter economic growth of 1.9% was substantially lower than the previous quarter's 3%. The Bureau of Economic Analysis said increases in personal spending, exports, and investments in business inventories and both residential and nonresidential investments were partly offset by reduced government spending at the federal, state, and local levels.
- Implementation of the Patient Protection and Affordable Health Care Act will proceed in the wake of the Supreme Court's ruling that the health-care reform legislation is constitutional. The 5-4 decision held that the penalty to be paid by those who choose not to buy health insurance as required by the law is constitutional as part of Congress's power to tax and spend.
- There was a glimpse of good news in the housing market at quarter's end. The Commerce Department said new home sales shot up in May to their highest level in more than two years, and the S&P/Case-Shiller index of home prices ended the quarter with gains in

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19 of the index's 20 cities and slowing year-over-year declines. Meanwhile, the Commerce Department said construction spending was up from last year.

- The Federal Reserve will extend its "Operation Twist" bond purchases through the end of the year. The program, which will use the proceeds from sales of short-term Treasury bonds to buy longer maturities, is intended to stimulate the economy by keeping long-term interest rates low.
- Though durable goods orders were up in May, manufacturing data from the Institute for Supply Management and the Federal Reserve's industrial production numbers showed some slowing. Meanwhile, retail sales were up 5.3% from last May, with nonstore retailers showing the biggest gains.
- The silver lining to a sluggish global economy was moderate inflation at both the consumer and wholesale levels. The Bureau of Labor Statistics said the Consumer Price Index was 2.3% higher than last May, while wholesale prices were up less than 1% in a year.

## Eye on the Month Ahead

Key dates and data releases: U.S. manufacturing sector, construction spending (7/2); factory orders (7/3); unemployment/payrolls (7/6); eurozone finance ministers' meeting (7/9); balance of trade, Federal Open Market Committee minutes (7/11); wholesale inflation (7/13); retail sales, Empire State manufacturing survey (7/16); consumer inflation, industrial production (7/17); housing starts, Fed "beige book" report (7/18); home resales, Philly Fed manufacturing survey (7/19); options expiration (7/20); new home sales (7/25); durable goods orders (7/26); initial estimate, Q2 gross domestic product (7/27); personal income/spending, home prices (7/31).

*Data source: 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. Market indexes listed are unmanaged and are not available for direct investment.*

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