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Market Week: June 4, 2012

The Markets

Signs of a slowing economy both here and abroad brought back investor pessimism last week--especially on Friday, when a disappointing employment report gave equities their worst day of the year and a loss of more than 2%. The week left both the Dow and Russell 2000 in negative territory for the year. However, the Dow's 8.7% loss since its year-to-date high in early April is better than either the S&P 500's 9.9% slide in the same time or the Nasdaq and Russell 2000's declines of 12% and 12.8% respectively.

The recent flight to quality turned into a stampede, sending the 10-year Treasury yield to a record low level as demand pushed the price up. And as the dollar strengthened--the euro was below \$1.24 by week's end--oil prices plunged to just over \$83 a barrel.

Market/Index	2011 Close	Prior Week	As of 6/1	Week Change	YTD Change
DJIA	12217.56	12454.83	12118.57	-2.70%	-.81%
Nasdaq	2605.15	2837.53	2747.48	-3.17%	5.46%
S&P 500	1257.60	1317.82	1278.03	-3.02%	1.62%
Russell 2000	740.92	766.41	737.42	-3.78%	-.47%
Global Dow	1801.60	1760.51	1708.51	-2.95%	-5.17%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	1.89%	1.75%	1.47%	-28 bps	-42 bps

Equities data reflect price changes, not total return.

Last Week's Headlines

- Only 69,000 new jobs were added to the economy in May. It was the lowest number since last May, and it nudged the unemployment rate from 8.1% to 8.2%. The Bureau of Labor Statistics said the increase, the first in 11 months, is partly the result of more people once again seeking employment. The jobs numbers for March and April also were revised downward, and including the number of underemployed and discouraged workers would put the unemployment rate at 14.8%.
- U.S. economic growth was even slower during the first quarter of 2012 than the 2.2% initial estimate. The Commerce Department's revised figure for gross domestic product was 1.9%, substantially lower than the previous quarter's 3%. Consumer spending picked up 2.9% in Q1, but business spending was off.
- Spanish bond yields rose once again, hitting roughly 6.6% and spurring concern about the government's ability to continue to aid the country's troubled banks.
- Discouraging overseas economic data also contributed to last week's anxiety. According to Eurostat, the European Union's statistical agency, unemployment in the eurozone hit its highest level on record (11%) in April. Also, surveys of purchasing managers in both China and Europe indicated either virtually flat growth or actual contraction.
- Home prices in the 20 cities measured by the S&P/Case-Shiller index were up 0.1% in March--the second increase in a row--though they were down 2.6% from a year ago. However, increases were seen in some of the areas that have seen the biggest declines, including Detroit and Phoenix.
- Freddie Mac said mortgage rates last week hit a low not seen since it began keeping records in 1971. The rate on a 30-year fixed

mortgage fell to 3.75% (it was 4.55% a year ago), and the 15-year rate fell below 3% for the first time to 2.97%.

- U.S. manufacturing growth continued to slow as the Institute for Supply Management's index fell to 53.5% in May from April's 54.8% (any number over 50 represents growth).
- The Commerce Department said April construction spending rose 0.3% and was up 6.8% from last year. The 2.8% growth in private residential construction was responsible for most of the April increase, while public construction spending was down 1.4%.

Eye on the Week Ahead

Central banks both here and abroad may be in the spotlight. With the approaching expiration of QE2 at the end of June, the Fed's "beige book" report will be parsed to see whether it might make a case for additional monetary stimulus, and the European Central Bank is one of four central banks meeting on interest rates. Data on GDP for both the eurozone and Japan also will be released.

Key dates and data releases: factory orders (6/4); U.S. services sector (6/5); labor productivity/costs, Fed "beige book" report (6/6); balance of trade (6/6).

Data sources: Includes data provided by Brounes & Associates. 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.

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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