

MONTHLY ECONOMIC UPDATE

April 2012

MONTHLY QUOTE

“Humor is just another defense against the universe.”
– Mel Brooks

MONTHLY TIP

Most people can halve their monthly spending on entertainment with little regret.

MONTHLY RIDDLE

What has three feet yet cannot run or walk?

Last month's riddle:

This word signifies a gap between hills or mountain ranges. Yet remove just one letter, and it signifies a gap between buildings. What is this six-letter word?

Last month's answer:

Valley.

THE MONTH IN BRIEF

March brought gains and milestones. The NASDAQ ended the month above 3,000, which it hadn't done in nearly 12 years. The Dow pulled off its sixth straight monthly advance, and the S&P 500 and Russell 2000 rose as well. Gas prices continued their march upward, but consumer spending did not fall. The real estate sector flashed some negative signals. Investors and economists alike mulled the effect that potentially decelerating economies in Europe and Asia might have on Wall Street. The U.S. economy, on the other hand, seemed to show further improvement.¹

DOMESTIC ECONOMIC HEALTH

Gas prices were putting the clamps on the consumer, right? Wrong. It seemed consumer spending was rising, perhaps partly in response to increased fuel costs. In fact, the Commerce Department said personal spending rose 0.8% in February (the biggest gain in seven months) even as incomes rose just 0.2%. As for that other really important statistic affecting consumers, the nation's jobless rate had remained at 8.3% for February, although job growth was impressive once again (227,000 positions added to non-farm payrolls).^{2,3}

Consumer sentiment was the proverbial mixed bag. The Conference Board's survey slipped from February's revised mark of 71.6 to 70.2. The University of Michigan's final March survey came in at 76.2, up from the 74.3 reading of late February.⁴

Consumer prices moved in a pronounced direction – and that direction was up. The federal government's Consumer Price Index rose 0.4% in February, the biggest monthly gain since April. Producer prices matched that increase. Annualized CPI was running at 2.9%, annualized core CPI at 2.2%. What role did gasoline costs play in all this? A major one. A 6% February rise in retail gas prices represented a significant portion of the advance in the overall CPI. Pump prices have climbed close to 20% since December, and a gallon of unleaded cost \$3.93 at the end of the month, up 20 cents from the end of February. Even with this price pressure on consumers, the Census Bureau said retail sales were 1.1% better in February. It also revised January's gain up to 0.6%. Durable goods orders also rose 2.2% in February.^{4,5,6,7}

The U.S. manufacturing and service sectors were holding up well. The Institute for Supply Management's March manufacturing PMI rose a full percentage point to 53.4, and its non-manufacturing index read 57.3 in February, an 0.5% gain.^{8,9}

The Federal Reserve conducted its annual stress test of 19 big banks in March, and 15 lenders held up under the “doomsday” scenario (Dow losing half of its value, home prices at 1996 levels, a 13% jobless rate). American Express, Bank of America, Bank of New York Mellon, BB&T, CapitalOne, Fifth Third, Goldman Sachs, JP Morgan Chase, Keycorp, Morgan Stanley, PNC, Regions, State Street, U.S. Bancorp and Wells Fargo each got a thumbs-up. The Fed felt that Citigroup, SunTrust, Ally and MetLife would lose enough assets under the scenario to pose systemic risk.¹⁰

GLOBAL ECONOMIC HEALTH

To what degree would the Eurozone economy slow down? Would Asian economies turn around their manufacturing bases? Looking to Europe, the signs were bleak. The Eurozone jobless rate ticked up to a post-euro high of 10.8% in March. In Spain, the unemployment rate was 23.6%; in France, it was 10.0%; in Italy, it was 9.3%; in Germany, it was just 5.7%. The key Markit purchasing managers index was below 50 for the eighth consecutive month in March, with analysts growing increasingly certain that the EU had slid into a recession.¹¹

As for the key economies of the Asia-Pacific region, factory output was looking better. For March, official PMIs were in reasonably good shape in China (53.1, best since last April), India (54.7), and South Korea (52.0, a one-year high). India's inflation rate accelerated in March for the first time since October.¹²

WORLD MARKETS

Many major stock indices pulled back last month. That was not the case for the Nikkei 225, off to a roaring start in 2012 (+19.26% for Q1). The Japanese benchmark rose 3.71% last month. Germany's DAX was up 1.30% in March and Australia's All Ordinaries rose 0.73%. Several major indices retreated: the CAC 40 lost 0.83%, the FTSE 100 1.76%, the TSX Composite 2.41%, the Sensex 3.91%, the Hang Seng 5.57% and the Shanghai Composite 6.82%. Despite these losses, all of the above indices posted gains for the quarter. The MSCI World Index rose 1.02% in March and 10.94% for Q1 in USD terms. By the same measuring stick, the MSCI Emerging Markets Index fell 3.52% in March but rose 13.65% for the quarter.^{13,14}

COMMODITIES MARKETS

The hottest marquee commodity of March was (guess what) retail gasoline at +5.20%. Cotton went +3.85% last month. Most other key commodities lost their footing – most notably, natural gas. Those futures slid 18.73% in March, a descent helped by unseasonably warm weather. Oil futures lost 3.78% last month, settling at \$103.02 per barrel on the NYMEX; for the quarter, prices rose 4.24%. Gold slipped 2.30% on the COMEX on the month and rose 6.71% on the quarter to wrap March at \$1,671.90 on the COMEX. Copper (-1.40%) and silver (-6.23%) retreated after two strong monthly advances. RBOB gasoline futures rose 1.56% in March and the U.S. Dollar Index pulled off its first monthly gain for 2012 (+0.44%). Elsewhere, coffee futures sank 8.98%, corn lost 2.13% and wheat lost 1.09% for the month.⁶

REAL ESTATE

March didn't bring much improvement. Interest rates on conventional mortgages did go back under 4% after topping that mark at mid-month. Looking at Freddie Mac's March 1 and March 29 Primary Mortgage Market Surveys, we see that mortgage interest rates did increase last month: 30-year FRMs went from 3.90% to 3.99%; 15-year FRMs went from 3.17% to 3.23%; 5/1-year ARMs rose from 2.83% to 2.90%; 1-year ARMs went from 2.72% to 2.78%.¹⁵

Existing home sales fell 0.9% for the month, while new home sales pulled back 1.6%. Year-over-year, the pace of residential resales had increased 8.8% while new home buying rose 11.4%. The Census Bureau announced that the median new home sale price had risen 6.2% in a year to \$233,700. The National Association of Realtors noted the first year-over-year increase in existing home prices since November 2010. However, the January edition of the S&P/Case-Shiller Home Price Index revealed that existing home prices had essentially reset to early 2003 levels. The index posted its fifth straight monthly retreat and was down 3.8% from 12 months before. The NAR also reported a 0.5% decline in pending home sales for February.^{16,17,18}

LOOKING BACK...LOOKING FORWARD

Fear seemed to take a holiday: the CBOE VIX was at 15.50 on March 30 after diving 15.90% for the month. The Dow ended March at 13,212.04, the S&P at 1,408.47, the NASDAQ at 3,091.57 and the Russell 2000 at 830.30.¹

% CHANGE	Y-T-D	1-MO CHG	1-YR CHG	10-YR AVG
DJIA	+8.14	+2.01	+6.97	+2.70
NASDAQ	+18.67	+4.20	+11.34	+6.75
S&P 500	+12.00	+3.13	+6.04	+2.28
REAL YIELD	3/30 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO

10 YR TIPS	-0.09%	1.00%	2.21%	3.48%
------------	--------	-------	-------	-------

Sources: money.msn.com, bigcharts.com, treasury.gov - 3/30/12^{1,19,20,21,22}
Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly.
These returns do not include dividends.

It would be mind-blowing if the market put together consecutive quarters like this, and even the most bullish of analysts don't expect a repeat. Then again, Wall Street has surprised us many times. Some analysts think the current bull market may be due to run out of steam given the apparent economic sluggishness in Europe and the tendency of investors to "sell in May, go away". Others think that since the S&P 500 fell 19.4% in October 2011 from an April 2011 peak (actually more than 20%, if you factor in intraday numbers rather than just the market close), we are actually more or less in a new bull market that began last fall. So would that be a baby bull within a secular bear, or something more lasting? Whether you think the glass is half full or half empty on Wall Street, the fact remains that stocks surpassed expectations in the first quarter of the year – and April may bring further gains.²³

UPCOMING ECONOMIC RELEASES: Here is the slate of releases for the rest of April: the March ISM service sector index (4/4), the March unemployment report (4/6), February wholesale inventories (4/10), a new Federal Reserve Beige Book (4/11), the March PPI (4/12), the March CPI and the initial University of Michigan consumer sentiment survey for April (4/13), March retail sales and February business inventories (4/16), March industrial output, housing starts and building permits (4/17), the March Conference Board Leading Economic Indicators index and March existing home sales (4/19), March new home sales, the February Case-Shiller home price index and the Conference Board's April consumer confidence poll (4/24), March durable goods orders and an FOMC policy announcement (4/25), March pending home sales (4/26), the federal government's first estimate of Q1 GDP and the final April University of Michigan consumer sentiment survey (4/27), and finally the March consumer spending numbers (4/30).

***Please feel free to forward this article to family, friends or colleagues.
If you would like us to add them to our distribution list, please reply with their address.
We will contact them first and request their permission to add them to our list.***

Securities offered through 1st Global Capital Corp. Member FINRA, SIPC.
Investment Advisory Services offered through Wealth Advisors Network, Inc., d/b/a Contryman Wealth Advisors. Insurance services offered through 1st Global Insurance Services, Inc.. and/or Wealth Advisors Network, Inc. Wealth Advisors Network, Inc., a Registered Investment Adviser, and 1st Global Capital Corp. are unaffiliated entities.
Currently, we have representatives licensed to offer securities and investment advisory services in Alaska, Arizona, Arkansas, California, Colorado, Illinois, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, New Jersey, North Carolina, Oklahoma, South Dakota, Texas, Virginia, Washington, Wisconsin, and Wyoming.
This is not a solicitation or offer to sell securities to residents of any other state.
CPA services provided only through Contryman Associates, P.C., and other licensed CPA firms.

This material was prepared by MarketingLibrary.Net Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. Marketing Library.Net Inc. is not affiliated with any broker or brokerage firm that may be providing this information to you. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is not a solicitation or recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. 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. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. It is not possible to invest directly in an index. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the "NYSE") and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures

exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. Nikkei 225 (Ticker: ^N225) is a stock market index for the Tokyo Stock Exchange (TSE). The Nikkei average is the most watched index of Asian stocks. The DAX 30 is a Blue Chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. The Hang Seng Index is a freefloat-adjusted market capitalization-weighted stock market index that is the main indicator of the overall market performance in Hong Kong. The SSE Composite Index is an index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The CAC-40 Index is a narrow-based, modified capitalization-weighted index of 40 companies listed on the Paris Bourse. The FTSE 100 Index is a share index of the 100 most highly capitalized companies listed on the London Stock Exchange. BSE Sensex or Bombay Stock Exchange Sensitivity Index is a value-weighted index composed of 30 stocks that started January 1, 1986. The S&P/TSX Composite Index is an index of the stock (equity) prices of the largest companies on the Toronto Stock Exchange (TSX) as measured by market capitalization. The S&P/ASX All Ordinaries Index represents the 500 largest companies in the Australian equities market. The MSCI World Index is a free-float weighted equity index that includes developed world markets, and does not include emerging markets. The MSCI Emerging Markets Index is a float-adjusted market capitalization index consisting of indices in more than 25 emerging economies. The US Dollar Index measures the performance of the U.S. dollar against a basket of six currencies. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability and differences in accounting standards. All information is believed to be from reliable sources; however we make no representation as to its completeness or accuracy. All economic and performance data is historical and not indicative of future results. Market indices discussed are unmanaged. Investors cannot invest in unmanaged indices. The publisher is not engaged in rendering legal, accounting or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

Citations.

- 1 - money.msn.com/market-news/post.aspx?post=ba5dfb2a-4c91-4d39-aa5e-f3bfbd9bb5e&_nwpt=1 [2/29/12]
- 2 - www.cnn.com/id/46902933/ [3/30/12]
- 3 - articles.latimes.com/2012/mar/09/business/la-fi-us-jobs-20120310 [3/9/12]
- 4 - briefing.com/investor/calendars/economic/2012/03/26-30 [3/30/12]
- 5 - www.usatoday.com/money/economy/story/2012-03-16/February-inflation-consumer-price-index/53561880/1 [3/16/12]
- 6 - money.msn.com/market-news/post.aspx?post=087cac64-3d67-4737-b94a-31c3ff49ba16 [3/30/12]
- 7 - www.census.gov/retail/marts/www/marts_current.pdf [3/13/12]
- 8 - www.ism.ws/ISMReport/MfgROB.cfm [4/2/12]
- 9 - www.ism.ws/ISMReport/NonMfgROB.cfm [3/5/12]
- 10 - www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2012/03/16/investopedia77515.DTL [3/16/12]
- 11 - www.bbc.co.uk/news/business-17582051 [4/2/12]
- 12 - www.reuters.com/article/2012/04/02/us-global-economy-asia-idUSBRE83104P20120402 [4/2/12]
- 13 - news.morningstar.com/index/indexReturn.html [3/30/12]
- 14 - mscibarra.com/products/indices/international_equity_indices/gimi/stdindex/performance.html [3/30/12]
- 15 - www.freddiemac.com/pmms/ [4/2/12]
- 16 - www.bizjournals.com/washington/news/2012/03/23/new-home-sales-slow.html [3/23/12]
- 17 - articles.marketwatch.com/2012-03-27/economy/31242975_1_david-m-blitzer-index-committee-index-records [3/27/12]
- 18 - www.latimes.com/business/money/la-fi-mo-pending-home-sales-20120326,0,3632145.story [3/26/12]
- 19 - montoyaregistry.com/Financial-Market.aspx?financial-market=an-introduction-to-the-stock-market&category=29 [4/2/12]
- 20 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=3%2F30%2F11&x=0&y=0 [3/30/12]
- 20 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=3%2F30%2F11&x=0&y=0 [3/30/12]
- 20 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=3%2F30%2F11&x=0&y=0 [3/30/12]
- 20 - bigcharts.marketwatch.com/historical/default.asp?symb=DJIA&closeDate=3%2F28%2F02&x=0&y=0 [3/30/12]
- 20 - bigcharts.marketwatch.com/historical/default.asp?symb=COMP&closeDate=3%2F28%2F02&x=0&y=0 [3/30/12]
- 20 - bigcharts.marketwatch.com/historical/default.asp?symb=SPX&closeDate=3%2F28%2F02&x=0&y=0 [3/30/12]
- 21 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyield [3/30/12]
- 21 - treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=realyieldAll [3/30/12]
- 22 - treasurydirect.gov/instit/annccresult/press/preanre/2002/ofm10902.pdf [1/9/02]
- 23 - articles.businessinsider.com/2012-03-07/markets/31131044_1_bull-market-new-bull-first-year-bull [3/7/12]