

Advisor Economic Update First Quarter 2010



Equity markets were up for the first quarter, with the Dow Jones Industrial Average (Dow), Standard & Poor's 500 (S & P 500), and Nasdaq composite up 4.1%, 4.84% and 5.6%, not including dividends, respectively. Smaller companies as measured by the Russell 2000 Index were up about 8.5%. International equities, as measured by the Dow Jones World Index (ex-US) were up 1.46%.

Long-term treasuries were relatively flat, with the 10-year U.S. Treasury Bond Yield at 3.83% compared to 3.84% last quarter. Corporate bonds were up slightly, in the 1-2% range depending on quality and maturity. In general, better quality outperformed high yield/junk bonds, which were mostly flat for the quarter.

Gross Domestic Product continues to show positive growth with 5.9% growth in the fourth quarter of 2009. This growth is expected to continue through 2010 from replenishment of inventories, economic stimulus, and general economic improvement. Business spending has been on the upswing, but we're still seeing labor markets suffering. Also, although consumer spending is showing some signs of recovery, it is still lackluster.

As business spending increases some analysts expect to see a significant recovery in unemployment. While businesses have been spending more, they've lacked the conviction to take on new hires. Also, hiring last quarter may have been hindered by record snowfall and snowstorms across the country. Another positive indicator for labor is temporary jobs, which have been steadily increasing. This has historically signaled increasing labor demand.

Inflation is a concern to some, but we believe that the Federal Reserve has the tools to keep inflation in check. Besides, we will likely need to see much stronger spending and growth before inflation is a real problem. In general, there are some storm clouds on the horizon for the next 6-12 months, but the longer term outlook is much brighter. The global financial meltdown did not occur, markets are recovering, and barring anything too unusual, we should see continued improvement.