

# THE MASTERS

## WEALTH MANAGEMENT GROUP

### U.S. STOCKS HELD UP RELATIVELY WELL IN 2011

*It was a weak year for equities, but foreign markets had it worse.*

Presented by Gary Mastrodonato, CEA

**2011 had a definite downside.** Statistically, 2011 may end up being characterized as the year stocks stood still: the S&P 500 lost .003%, its smallest year-over-year change of any kind since 1947. Yet it was hardly a placid year; every week seemed to feature big rallies and selloffs, and seemingly every time we checked in on a financial website or TV program, some new anxiety had emerged.<sup>1</sup>

If it wasn't the debt crisis in the European Union, it was legislators on Capitol Hill. If it wasn't the housing market, it was the job market (and in truth, the two were inescapably linked). Investors were jittery, and as emotions affect stocks as much as earnings and fundamental indicators, the great broad index of the American stock market wound up generating a less than thrilling return.

**However, there was also an upside.** Is the glass half-empty or half-full at this point? That's a good question. Bulls were heartened by the way U.S. stocks held up in 2011. Comparatively speaking, the rest of the world may be marveling at how well we did:

- DJIA: +5.53%
- S&P 500: -0.003% (+2.11% with dividends)
- NASDAQ: -1.80%
- Russell 2000: -5.45%<sup>1,2,3</sup>

Now look at how these foreign indices fared in 2011, according to performance data from the *Wall Street Journal's* website:

- DAX (Germany): -14.7%
- CAC 40 (France): -17.0%
- Bovespa (Brazil): -18.1%
- All Ordinaries (Australia): -15.2%
- Shanghai Composite (China): -21.7%
- Hang Seng (Hong Kong): -20.0%
- Nikkei 225: -17.3%<sup>4</sup>

The DJIA was a member of the "fortunate five," one of just five consequential benchmarks around the world that managed a 2011 advance. The others? Indonesia's Jakarta Composite (+3.2%), Malaysia's Kuala Lumpur Composite (+0.8%), the Manila

Composite in the Philippines (+4.1%) and Venezuela's Caracas General (+79.1% in a nation where inflation is running at 26%).<sup>4,5</sup>

So the evidence points to a degree of decoupling taking place last year. Stateside, investors may have been distracted and troubled by news about EU debt and a slowdown in manufacturing in the Asia-Pacific region, but there was still some residual confidence, which was bolstered in the fourth quarter by some positive news about consumer spending and retail sales, a declining jobless rate, a bit of life in what had seemed a moribund real estate market, and banks being more open to commercial loans.<sup>6</sup>

**Will our relative good fortune continue?** In 2012, will Wall Street pay more attention to domestic indicators and earnings than the headaches plaguing other economies?

We are all interconnected, of course; financially, the world is a small place. It is very possible that the big market swings characteristic of 2011 will repeat in 2012; currently, few things move the market up or down like news from the EU. However, with many of the EU economies veering toward recession and emerging markets cooling down, a U.S. economy that might realize but a small percentage of growth may start to look very strong indeed to the rest of the world, and that offers hope that our financial markets may perform better next year than some analysts expect.



**Gary C. Mastrodonato, CEA**  
**The Masters, LLC**  
**Wealth Management Group**  
**Keeping Families & Generations Together**

**“Where Everyday, You Get Our Best!”**

Gary C. Mastrodonato is a Representative with Capital Investment Companies and may be reached at:  
**807 Broad Street Suite C PO Box 306, Oriental, North Carolina 28571**  
**Phone: (252)249-0100 Fax: (252)249-0105**

Securities offered through Capital Investment Group, Inc., Member FINRA/SIPC and advisory services offered through Capital Investment Advisory Services, LLC. Gary Mastrodonato, CEA, Investment Advisor Representative. The Masters, LLC WealthManagement Group is not owned by or an affiliate of Capital Investment Group Inc. Capital Investment Group, 17 Glenwood Avenue, Raleigh, NC 27603 (919)831-2370

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. All information is believed to be from reliable sources; however we make no representation as to its completeness or accuracy. Please note - investing involves risk, and past performance is no guarantee of future results. 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. 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 a

recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All indices are unmanaged and are not illustrative of any particular investment.

**Citations.**

- 1 - [blogs.wsj.com/marketbeat/2011/12/30/for-the-sp-500-2011-bascially-never-happened/](http://blogs.wsj.com/marketbeat/2011/12/30/for-the-sp-500-2011-bascially-never-happened/) [12/30/11]
- 2 - [blogs.wsj.com/marketbeat/2011/12/30/data-points-u-s-markets-71/](http://blogs.wsj.com/marketbeat/2011/12/30/data-points-u-s-markets-71/) [12/30/11]
- 3 - [www.cnbc.com/id/45824871](http://www.cnbc.com/id/45824871) [12/30/11]
- 4 - [online.wsj.com/mdc/public/page/2\\_3022-intlstkidx.html](http://online.wsj.com/mdc/public/page/2_3022-intlstkidx.html) [12/30/11]
- 5 - [www.cnbc.com/id/45807143](http://www.cnbc.com/id/45807143) [12/28/11]
- 6 - [money.msn.com/market-news/post.aspx?post=7a929e98-4d99-44cb-98c9-a0ef1c3151c4](http://money.msn.com/market-news/post.aspx?post=7a929e98-4d99-44cb-98c9-a0ef1c3151c4) [12/30/11]