

## **Markets Race Ahead of Modest Economic Outlook**

While economists debate whether U.S. and global economies are already in what all agree will be a slow recovery, investors have seized on sprinklings of positive news to drive financial markets upward. With the end of July in sight, the most-quoted indices are all at their 2009 highs.

The Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) closed at 9,093.24 Friday, up 3.6% from its 2008 close and up 38.9% from its March 9 low. The NASDAQ (an unmanaged index of common stocks listed on the NASDAQ National Stock Market) closed at 1,965.96, a gain of 24.7% from its 2008 close and up a phenomenal 55% since its March low. In the meantime, the S&P 500 (an unmanaged index of 500 widely held stocks) finished the day at 979.26, up 8.4% since the beginning of the year and 44.7% ahead of its March low.

Investors rejoining the market seem to have taken the good news to heart. First, several banks and large companies such as Intel Corp., Caterpillar Inc. and Apple Inc. reported impressive quarterly profits that outpaced expectations. Then came news that existing-home sales in June rose to a seasonally adjusted annual rate of 4.89 million, with sales up in all four regions of the country. The share of foreclosures on the market has shrunk to about one-third of available homes, down from nearly 50% earlier in the year. There are still 3.8 million homes for sale, a 9.4-month supply at today's sales pace – but that's edging closer to the seven-month supply at which point the market should begin to stabilize, according to the National Association of Realtors. For three straight months, prices have risen in about half of the nation's 55 major metropolitan areas.

The markets largely passed over negative news. Mortgage rates have risen, with a 30-year fixed-rate mortgage averaging 5.2%, somewhat above the record low of 4.78% earlier in the year. Jobless claims rose too, although experts claim the trend is stabilizing, and Friday's consumer sentiment reading showed a dip in July, the University of Michigan and Reuters reported, disappointing those who had expected a slight lift.

Noting that the markets tend to move with the news, Raymond James Chief Economist Scott Brown suggests investors pay attention to the details of the economic story occurring beneath the headlines. He cautions that even if a recovery is under way, it will be slow, running under a caution flag for some time to come.

If you would like to discuss investment opportunities available in today's marketplace, we'll be happy to discuss them with you. If you have general questions about the markets or want to discuss portfolio adjustments that may be justified as 2009 proceeds, please don't hesitate to call us.