

### **Investors Find Good News in Economic Reports**

While investors are usually cautioned not to make financial decisions based on the news of the day, it is nevertheless clear that since mid-March, when the current recession reached its lowest point to date, they have collectively discarded that idea. Instead, investors have focused on the positive elements contained in the negative economic reports. The last Friday of July was typical. News that GDP sank just 1% (instead of an expected 1.5%) inspired a small rally, even though it marked the first time since records began in 1947 that the country's economy has lost ground in four straight quarters.

The Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) closed for July at 9,171.61, up 8.6% from the June close, and a rise of 4.5% since its 2008 close. The NASDAQ (an unmanaged index of common stocks listed on the NASDAQ National Stock Market) closed at 1,978.50, down for the day but up 7.8% for the month and 25.5% on the year. The S&P 500 (an unmanaged index of 500 widely held stocks) finished the month at 978.48, up 7.4% in July and a gain of 9.3% year-to-date.

Overseas, the markets were mixed on the last day of July; with Asian markets surging ahead while European indices pulled back a bit from the previous day's close.

Big oil is one sector not feeling the good news. Exxon Mobil and Chevron posted lower quarterly earnings – for Exxon Mobil, its lowest in seven years. Petroleum supplies stood at a 19-year high and per-barrel prices fluctuated in the \$60-to-\$70 range during the month. On June 30, the per-barrel intraday peak price of \$73.38 was the highest since October 21 last year, but through July gasoline prices remained well below what they were a year ago, while demand continued to slump.

In Washington, D.C., the House of Representatives rushed another \$2 billion into the Car Allowance Rebate System (CARS), a corner of the economic stimulus package popularly dubbed "cash for clunkers." The \$1-billion program, in operation for only a week, was quickly overwhelmed as would-be new-car owners turned in their old vehicles for the federal subsidy of up to \$4,500 toward new, higher-mileage vehicles. The idea was to provide both a boost for auto industry sales and improve the environment.

As the economy has apparently begun to stabilize, so have the markets. While the general trend has been up, there have been some losing sessions, but the wild volatility of last year and earlier in 2009 has abated. No one knows whether it will return, but economists and the Federal Reserve seem to agree that the U.S. economy is in the process of stabilizing.

As we've noted previously, investment opportunities often emerge from markets like this. If you have investment ideas, general questions about the markets or want to consider appropriate adjustments to your portfolio, please call. We always enjoy hearing from you.