

We want to be in touch with you during this volatile time in the markets. We have hired some of the best money managers in the world to manage your portfolio. Even though you may not see activity in your account please know that every manager is actively updating and working to find opportunities in this market.

The intense volatility that has recently gripped U.S. and global stock markets was much in evidence this week. Stocks staged a broad retreat Wednesday after rallying strongly Tuesday when the Federal Reserve Board pledged to keep interest rates near zero through 2013. Tuesday's advance followed a dramatic selloff on Monday, the first day of trading on U.S. exchanges after Standard & Poors\* announced it was stripping the U.S. of its AAA credit rating.

The sharp swings in stock prices – the Dow Jones Industrial Average dropped 5.5% on Monday, rose 4% on Tuesday, and fell more than 4% Wednesday and Thursday increased more than 4.5%.

While economic uncertainty and market volatility seem likely to remain with us for the foreseeable future, it's also important to remember some key facts:

- Although the S&P downgrade was of course unwelcome, investors worldwide still regard U.S. government debt obligations as safe and highly attractive. For example, the Treasury sold \$24 billion worth of 10-year notes Wednesday at an extremely low yield of 2.14%. If investors were truly worried about a U.S. default, they would be demanding much higher yields. While much criticized, the recent agreement in Washington raising the debt ceiling ended the immediate question of default.
- Corporate earnings are robust, with approximately 61% of S&P 500 companies reporting so far beating their second-quarter earnings estimates, and 68% exceeding their revenue estimates. Corporate profit margins and balance sheets are also very strong.
- While U.S. economic growth has slowed, as yet there is no solid evidence that the country is sliding into recession. This view is reinforced by the fact that long-term interest rates remain well above short-term rates. Every U.S. recession in the past 50 years has been preceded by an inverted yield curve (short-term interest rates above long-term interest rates)
- The NYSE McClellan Oscillator is indicating stocks are oversold more than it has been in years
- Markets often overreact in times of uncertainty, and investment decisions made in haste during periods of anxiety are often regretted later on.

It's normal to be concerned during periods of extreme market volatility. However, while investors must always be alert to changes in the economic and investment climate, market fluctuations are not a valid reason for abandoning your long-term financial plan. Under these extreme's is hard to remember the basic tenets of successful investing – buy low, sell high.

Legendary investor Jim Rogers was asked how he made his money, Mr. Rogers answered, " I sell euphoria and buy panic." The way he determines that is to wait until prices are "gapping" in the charts. Gapping on the upside is "euphoria," while gapping on the downside is "panic." Currently equities are gapping to the downside. Average stock valuation measured by price to earnings ratio for the stocks historically has been 15 to 16. The average price to earnings ratio is currently 8 to 10 reflecting attractive prices.

The ongoing volatility in the markets is obviously something we are watching very closely. If you would like to discuss the current investment environment or have any concerns about your portfolios, please give us a call.

Thank you for your trust and business,

Charlene Carter, CFP® & Jenny Hector, Financial Advisor

\*Standard & Poor 500 - 500 widely held common stocks whose average performance serves as a broad-based measurement of changes in stock price. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. Any opinions are those of Charlene Carter and not necessarily those of RJFS or Raymond James. Investing involves risk, and investors may incur a profit or a loss. The McClellan Oscillator is a market breadth indicator that is based on the difference between the number of advancing and declining issues on the NYSE. Past performance is not an indication of future results. Investors cannot invest directly in an index.