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ViewPoint

Right Back Where It Began

If you fell asleep last January and woke up a year later, you might think nothing had happened in the stock market. After an entire year, the S&P 500 index, which includes 500 of the largest U.S. companies, returned nothing. Stocks of most small companies and foreign companies were even less fortunate.

Investors were hoping for much better. One year ago, the Great Recession was 18 months in the rearview mirror. Employers were adding jobs and the stock market was climbing higher. Then the disasters came. An earthquake and tsunami devastated Japan. There were protests and wars in the Middle East. Oil prices rose. Manufacturing slowed down. Greece, Italy, and others in the European Union faced (and still face) overwhelming debt.

Major Markets Update

	2007	2008	2009	2010	2011
Dow*	+6.43%	-33.84%	+18.82%	+11.02%	+5.53%
S&P 500*	+3.53%	-38.49%	+23.45%	+12.78%	+0.00%
NASDAQ*	+9.81%	-40.54%	+43.89%	+16.91%	-1.80%

The U.S. Congress brought us to the brink until finally agreeing to make payments on existing debt. Standard & Poors downgraded its rating on U.S. bonds. State and local governments reduced their workforce in record numbers.

In light of all this commotion, **the fact that the U.S. stock market was able to finish the year flat could be seen as a positive sign.**

Perhaps with the New Year, investors will take a step back and focus on some positive news. Interest rates are low and inflation is still tame. Investors are closer to understanding Europe. Corporations, on average, are making record profits. New claims of unemployment are dropping and hiring has been rising.

Should investors expect to be rewarded in 2012 or will they have more volatility? The answer may be “yes” to both. For now, U.S. economic news seems to be positive and improving. Of course, there are no guarantees. *SS*

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