

Good morning!

Stock investors are rarely satisfied, but when the 1<sup>st</sup> quarter of 2011 ended last Thursday (3/31/11), it was hard not to feel some contentment. In spite of what can be described as 3 turbulent months in terms of civil unrest that occurred in multiple countries worldwide, catastrophic weather of historic proportions and Washington political discord that has become the norm, the S&P 500 completed the month of March 2011 up +5.9% YTD (total return), surprisingly its best opening quarter to any calendar year since 1998 (source: BTN Research).

Economists have been frustrated at the pace of hiring by US employers as our country works its way out of the 2007-09 recession. The +216,000 new jobs that were created nationwide in March were welcomed news, but the 8.8% national unemployment rate remains well above the pre-recession jobless level of 5%. Employers are getting by just fine with fewer workers, evident by the +38% increase in annual corporate profits nationwide on a year-over-year basis (source: S&P).

It will be one more race to a Friday deadline in Washington this week as Republicans and Democrats debate yet another spending measure for the current fiscal year. The clock runs out on the latest "continuing resolution" on 4/08/11. There were signs late last week that indicated a compromise was in the works that would have the 2 parties "split the difference" on the \$51 billion of spending cuts that separate their proposals (source: Congress).

#### Notable Numbers for the Week:

1. **THIS YEAR AND LAST YEAR** - The S&P 500 is **up +5.9% YTD** as of 3/31/11. The S&P 500 was **up +5.4% YTD** as of 3/31/10. For all of calendar year 2010, the S&P 500 **gained +15.1%**. The S&P 500 has gained an average of **+9.7% per year** (total return) over the last 50 calendar years (i.e., 1961-2010). The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the US stock market (source: BTN Research).
2. **THE GOOD AND THE BAD** - The **best 1-day performance** for the S&P 500 during the first quarter 2011 occurred on 3/03/11 when the stock index **gained +1.7%** (total return). The **worst 1-day performance** for the S&P 500 during the first quarter 2011 took place on 2/22/11 when the stock index **lost 2.1%**. The worst day occurred **on the first trading day following** the highest close of the year (so far) for the index (1343) which took place on Friday 2/18/11 (source: BTN Research).
3. **MORE TO CLIMB** - As of last Thursday's (3/31/11) closing value of 1326, the S&P 500 is still **18% below** its all-time closing high of 1565 set on 10/09/07 (source: BTN Research).
4. **RE-DEFAULT** - 25.2% of home mortgages **modified by lenders** during the 4th quarter 2009 were **90 days or more delinquent** just 1-year later (source: Office of the Comptroller of the Currency).

04/04/11 Monday

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