

Market Round-Up

This year, November has not been kind to domestic markets, but we are entering the time of year that history has shown can provide a lift to markets. According to sentimentrader.com, the day prior to the Thanksgiving holiday has been positive 77 percent of the time since 1950. Over the past 20 years, the stretch from the day prior to Thanksgiving through the third day in December has been positive 17 out of 20 times. Could the seasonal effect provide a respite for investors still smarting from a tough month of November? Perhaps the best thing for domestic markets was the fact that leaders in Washington were out of town. Last Monday kicked off the week with investors brimming with hope and optimism that leadership in Washington would soon resolve the looming fiscal cliff through successful negotiations. U.S. stocks rose giving the S&P 500 index its biggest advance in two months.

With hope in the air, investors got good news from the housing sector as existing homes sales and homebuilders' confidence came in better than expected. Monday's hope fueled rally lifted the Dow 207 points to a close of 12795.¹

After the hope filled rally Monday investors were brought back to earth by Fed Chairman Ben Bernanke Tuesday. In a speech and press conference at the Economic Club of New York, Mr. Bernanke commented by saying that if a resolution is not reached, the economy would slide into recession. In such case the Federal Reserve would be powerless as the chairman does not believe the Fed has the tools necessary to deal with that eventuality. The somber tone from the Fed Chairman dampened the mood on Wall Street, but not for very long. After a mixed close Tuesday, the optimism returned



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Wednesday as investors resumed bidding markets higher. News of a cease fire between Israel and Hamas contributed to the optimism on the way to a 48 point gain for the Dow. Following the Thanksgiving Day parades, turkey dinners and football games, Black Friday officially began the Christmas shopping season with stores opening their doors to anxious shoppers, some as early as 8:00pm. The excitement carried over into the shortened session on Wall Street as markets were moving higher Friday pushing the Dow to trade 115 points higher in early trade. Optimism was on full display in domestic markets last week, but economic data for the week was mixed. We had positive data on the housing sector with weak consumer confidence and disappointing jobless claims numbers, with 410,000 new filings for unemployment benefits. Gold and WTI followed equities higher as WTI Oil traded back above \$88 per barrel and the yellow metal was moving back above \$1745 per ounce.^{2 3}

Last week we saw the power of sentiment and optimism in domestic markets. With lawmakers out of town and investors full of hopeful expectations, markets were moving higher. This week the rubber will hit the road as lawmakers return to Washington and actual negotiations begin on how best to handle the impending Fiscal Cliff.

Since hope and optimism were strong motivators for investors last week, I hope that we have not gotten too far ahead of ourselves. This week we are watching talks ongoing in Washington and we will also have reports on durable goods, new home sales, GDP and personal income and outlays.

"We teach about how to drive in school, but not how to manage finances." – Andy Williams

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1) CNNMoney.com – Stocks enjoy biggest rally in months, 11-19-12

2) Reuters.com – Bernanke sees good 2013 if "fiscal cliff" avoided, 11-20-12

3) Bloomberg – S&P 500 Advances 4th Day After Middle East Cease-Fire, 11-21-12

The Dow Jones Industrial Average, published by Dow Jones & Company, is an unmanaged average of 30 actively traded stocks (primarily industrial) and assumes reinvestment of dividends. Standard & Poor's 500® consists of 500 US stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. You cannot invest directly in an index.