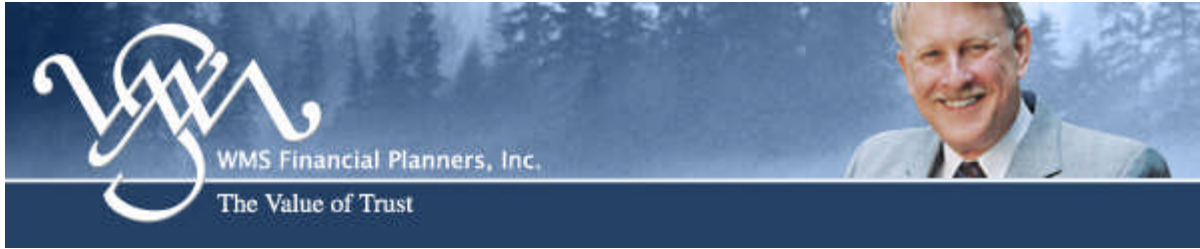


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## WMS Weekly Market Update

*"Strength does not come from physical capacity. It comes from an indomitable will."*

**Mahatma Gandhi**



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Good morning!

The US stock market continued its rapid climb back into positive territory last week, advancing on 4 of 5 trading days. The S&P 500 has gained +17.1% (total return) over the past 19 trading days, a performance that is better than the full-year result of the stock index in 9 of the past 11 calendar years. With 2 months and 1 trading day to go in 2011, the S&P 500 is up +3.9% YTD through the close of trading last Friday 10/28/11 (source: BTN Research).

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The news from Europe on Wednesday (10/26/11) that Eurozone officials had agreed on a structure to solve its continent-wide debt crisis was the catalyst for the US stock gains. The plan revolved on 3 critical issues: 1) a voluntary 50% write-down of Greek sovereign debt held by private creditors (i.e., banks and insurance companies); 2) a

requirement that European banks raise their capital ratios to 9% by June 2012; and 3) an expansion of the existing European rescue fund in an attempt to lure outside capital from surplus-rich countries (China or Brazil) and from the USA through its participation in the International Monetary Fund (source: BTN Research).

The Fed's next-to-last scheduled meeting of 2011 takes place this week. At the last Fed meeting, they announced "Operation Twist," a \$400 billion bond buying plan designed to drive long-term interest rates down. However, the yield on the 10-year Treasury note has done just the opposite, climbing 0.40% (to 2.31%) in the last month (source: Federal Reserve).

## Notable Numbers for the Week

1. **FIVE, NOT SIX** - The S&P 500's streak of **5 consecutive down-months** (on a total return basis) will end after trading closes today (10/31/11). The stock index lost 16.3% over the **5 months of May-September** (in addition to **falling in each of the 5 months**) but is **up +13.7% for October** (month-to-date) with just a single trading day to go. The **last time** the S&P 500 fell **6 consecutive months or longer** (on a total return basis) was **37 years ago** in 1974. 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. **HOME SWEET HOME** - The average size of a **new home** built in the USA in 2010 is 2,152 square feet, an increase of +35% since 1980. Bill Gates owns a home with **66,000 square feet**. A football field (counting the end zones) is **57,600 square feet** (source: Joint Center for Housing Studies of Harvard University).
3. **BIG BUCKS** - The average cost for 1-year of college education at an **in-state public college** is \$17,131 for the 2011-12 school year (including **tuition, fees, room and board**). The total 1-year cost has increased +6.1% per year over the last 30 years. If that same rate of **inflation** continues, then a **1st grader** today will pay **\$153,000** for his/her 4-years of education at an **in-state public college** during the years 2023-27 (source: College Board).
4. **RATIO** - Total **household debt** in the US was \$13.3 trillion as of 6/30/11, **88%** of the size of our \$15.0 trillion economy. The debt-to-economy ratio was **62%** in 1990 (source: Federal Reserve).

*The above referenced indexes are unmanaged groupings of stocks used to approximate general stock market performance. You cannot invest directly into any of these indexes. Past performance is not indicative of future results.*

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