

# *Buena Vista Investment Management, LLC*

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## STOCK MARKET HAS BEST 1<sup>st</sup> QUARTER IN 13 YEARS...WHAT'S NEXT?

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With the best first quarter since 1998 behind us....will the remainder of the year continue this upward trend? Although the S&P 500 finished up 5.4%, the stock market still had its share of ups and downs these past 3 months. In March alone, the Dow Jones Industrial Average had 16 days where the index traded up and down in a triple digit range over the course of a trading day, the most since last August.

The market was able to shrug off several major events already in 2011. We saw increasing unrest in the Middle East, capped off by US military involvement in Libya. These events have sent oil to \$108 per barrel, the highest in 2 years. And of course, the world, and the financial markets, watched anxiously as events unfolded in Japan following the catastrophic tsunami. While both these events pushed the US stock market down, it was only temporary.

The best performing sector in the S&P 500 was energy, which increased 16.7% for the quarter. No surprise with oil over \$100 per barrel. On the flip side, utilities performed the worst with only a .07% rise.

In spite of all this, investors appear to be gaining confidence. Investors added \$20.7 billion to US stock mutual funds in the first 2 months of 2011. This follows 8 straight months of money flowing out of US stock mutual funds, according to the Investment Company Institute.

Federal Reserve Bank of Atlanta President Dennis Lockhart said the U.S. recovery from the deepest recession since the 1930's will probably continue. According to Bloomberg News, Lockhart stated in a speech last week that, "With each quarter, the recovery is increasingly well established. "However, underlying the recovery there remain serious imbalances that have not been corrected."

So we have this push and pull occurring in the economy at the present. Lower consumer spending, relatively high unemployment and high levels of consumer debt have the potential to pull the economy down. However, the strength of corporate earnings and stimulus from the Federal Reserve is overcoming that and pushing the economy higher. The US economy is estimated to have grown by 3.4% this last quarter and is forecast to grow by 3.3% in the second quarter, according to 67 economists surveyed by Bloomberg News.

Currently, the majority of analysts see more positives than negatives for the stock market. Steve Leuthold, CIO of the Minneapolis based Leuthold Group, which oversees \$3.9 billion and has been forecasting the stock market since the 1960's has a 2011 target of 1400 – 1450 on the S&P 500. That would be a 5 – 9% rise from here. So far the trend for the market is up. And as the saying goes on Wall Street..... "the trend is your friend".