

Is Your Firm Paying Competitive Compensation and Employee Benefits?

InvestmentNews

Subscribe to Print

Tony | Logout



Home

News & Opinion ▾

Lists & Rankings ▾

Companies ▾

Video ▾

Events ▾

Careers ▾

Adviser Solutions ▾

Investment Strategies

[Archives »](#)

U.S. markets prove resilient in 2011

Despite a year of volatility, domestic equities outgunned those in developed and emerging countries

December 11, 2011 6:01 am ET



As investors say goodbye to a year that will be remembered for its volatility as much as anything else, one of the most battered, bruised and, yes, volatile markets has quietly reclaimed its spot as the world's best performer.

Advertisement

It is, of course, the United States.

Through Nov. 15, the S&P 500 was up 1.8% year-to-date, the Dow Jones Industrial Average rose 6.9% and the Nasdaq Composite Index was up 1.3%.

Meanwhile, the rest of the world's major equity indexes were covered with red arrows, all pointing down.

London's FTSE 100 (-6.5%), Paris' CAC 40 (-17.5%) and Frankfurt's DAX (-18%) were all well below break-even. Given the continuing debt drama in Greece and Italy, and the specter of prospective European Union bailouts of both nations, it isn't surprising that European markets have languished.

In Tokyo, the Nikkei 225's performance (-17.3%) reflects, in part, the economic impact of the earthquake and tsunami that devastated Japan in March, combined with a national economy that has been in the doldrums for many years.

Related to this story

- Forget miles, go for cash back with credit cards
- Ratings cut has done wonders for U.S. investments
- Economy outperforming economists
- Packers' 'share sale' is anything but

Topics

[investment strategies](#)

That leaves the emerging markets of Asia and Latin America. Unfortunately, emerging markets didn't provide the haven sought by some investors and financial advisers. China's Shanghai

Advertisement

Jobs for Financial Advisers

Featured Jobs

- Branch Financial Consultant**
 Charles Schwab - All Locations
- V.P., Business Development - RIA/Broker Dealer**
 Lincoln Investment - Wyncote, PA

Popular Job Searches

- wealth manager
- estate planner
- custody

[Browse the Latest Careers »](#)

Advertisement

Portfolio Manager Viewpoints: A sponsored webcast

Nasdaq vs. S&P: Who Owns the Real Earnings Power

*Portfolio Manager Viewpoints
with Graham Day of PowerShares
and Dave Gedeon of NASDAQ OMX*

InvestmentNews
The Leading News Source for Financial Advisers

Composite Index was off more than 12%, Hong Kong's Hang Seng Index was down 19%, India's Sensex was almost 18% in the hole and Brazil's Bovespa Index was more than 16% negative year-to-date.

Debt and inflation fears also have taken their toll on these markets.

But the long-term fundamentals for U.S. stocks are positive. The broad market continues to trade at an attractive multiple relative to its history, and its future sales and earnings potential.

According to the U.S. Treasury, global demand for U.S. stocks, bonds and other financial assets totaled \$68.6 billion in September, the highest since November 2010.

Meanwhile, corporations reported strong third-quarter earnings, and U.S. equity markets came roaring back, with the S&P 500 rising 10.9% in October, its biggest monthly gain since September 1991.

But the U.S. economy remains stuck in neutral.

Third-quarter gross domestic product grew 2.5% on an annualized basis, following a 1.3% rise in the second quarter. Meanwhile, China's third-quarter GDP growth was 9.3%.

Still, there are some encouraging signs that bode well for stocks. U.S. consumers are deleveraging; U.S. banks, unlike their European counterparts, are stronger financially, having recapitalized their balance sheets a few years ago.; and the United States remains a country with a long and impressive history of addressing and resolving its most challenging issues.

WHAT'S AHEAD

That isn't to say that it will be smooth sailing ahead.

To be sure, U.S. equity markets are likely not out of the woods.

Our old nemesis, volatility, isn't disappearing. Serious global and domestic macroeconomic issues remain and will continue to affect U.S. markets, as will the politics of a presidential election year.

Still, we see strength in equities — specifically, companies involved in oil and gas exploration in North America, infrastructure outside the United States, and well-capitalized regional banks.

In general, we look for companies with what we call a sustainable competitive advantage.

The characteristics these companies possess include a leading market presence in a product or a service, an executive management team with a track record of success, innovation and vision, strong financials and attractive valuation, which we define as 3-to-1 upside potential, versus downside risk.

In technology, these include the biggest of the big, Google Inc. (GOOG), to smaller, lesser-known but also vitally important companies such as Acme Packet Inc. (AKPT) and Riverbed Technology Inc. (RVBD).

In the energy sector, new technology is reopening areas of the United States that were heretofore considered closed to new discoveries of oil and gas. EOG Resources Inc. (EOG) is one of the leading independent oil and natural gas companies that is finding and adding to its reserves in North America.

In financial services, American Express Co. (AXP) is benefiting from consumers' desire to maintain access to credit and is a leader in the global shift away from cash to plastic. The company posted the highest earnings in its history this year.

Philip D. Tasho is chief executive and chief investment officer at Tamro Capital Partners LLC.

Most Popular

Read

Recommended

Commented

- LPL makes major executive moves
- Krawcheck's latest gig is pure gold
- Why that 'Women and Investing' seminar you're planning is a bad idea
- Will FiNet's new bonus scheme change the industry?
- Avoiding a retirement 'tax torpedo'

[More Popular »](#)

Upcoming Events

Tuesday, April 24, 2012

Nasdaq vs. S&P: Who owns the real earnings power

Monday, April 30, 2012 - May 1, 2012

2012 Retirement Income Summit
Generate. Increase. Protect.

Tuesday, May 1, 2012

Advisers and iPads: Making the most of your tablet

[More Events »](#)

Most Watched



Why financial planners have been wrong about investments

April 09, 2012



Why active investing is a loser's game

March 26, 2012



McCulley and Miller: Treasuries have lost their luster

April 16, 2012



[More Video »](#)

Newsletter Sign-up



IN:Tech

A must-read wrap-up of the latest developments in technology that will impact advisers, your practice and your clients.

At the time of writing this article, Tamro owned all of the stocks cited by Mr. Tasho.




[More Newsletters »](#)

Latest News



LPL makes major executive moves



Big deals back as RIA acquisitions surge

Follow InvestmentNews

The pulse of the financial advisory industry.



Comments



Portfolio Manager Viewpoints: A sponsored webcast

Nasdaq vs. S&P: Who Owns the Real Earnings Power

Portfolio Manager Viewpoints with Graham Day of PowerShares and Dave Gedeon of NASDAQ OMX



[About Us](#) | [Contact Us](#) | [Editorial Calendar](#) | [Media Kit](#) | [Reprints & Permissions](#) | [Mobile Version](#)

Subscriber Services

- Print Subscriptions
- Website Registration
- Newsletter Sign Up

Tools & Resources

- B-D Data Center
- Tech Directory
- Career Connection
- Deal Tracker
- Special Reports
- How to Talk to Reporters

- White Papers
- Most Popular
- Issue Index
- Topics and Departments
- Research Store
- Sponsored Supplements

Events

- Financial Performance Study of Advisory Firms
- Adviser Compensation and Staffing Study Workshops
- Retirement Income Summit
- Alternative Investments Conference
- Community Leadership Awards
- RIIA Awards

Affiliates

- Pensions & Investments
- shopautoweek.com

Copyright © 2012 Crain Communications Inc. Use of editorial content without permission is strictly prohibited. [Privacy Policy](#) and [Terms & Conditions](#) are applicable to you. All rights reserved.