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MARKET WEEK: OCTOBER 31, 2011

The Markets

Double-barreled relief over the economy and the plan for attacking the European debt crisis powered a rally in equities. In the wake of Thursday's 340-point jump in the Dow, the industrials were closing in on their best month since January 1987 with a 12% gain, and the Russell 2000's 18% gain since September 30 will likely make October its best month ever. By Friday, the S&P 500 and the Nasdaq had regained roughly three-fourths of their losses since mid-July. The renewed global optimism sent bond yields up.

Market/Index	2010 Close	Prior Week	As of 10/28	Week Change	YTD Change
DJIA	11577.51	11808.79	12231.11	3.58%	5.65%
Nasdaq	2652.87	2637.46	2737.15	3.78%	3.18%
S&P 500	1257.64	1238.25	1285.08	3.78%	2.18%
Russell 2000	783.65	712.42	761.00	6.82%	-2.89%
Global Dow	2087.44	1846.63	1964.49	6.38%	-5.89%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.30%	2.23%	2.34%	11 bps	-96 bps

Last Week's Headlines

Eurozone leaders finally announced an agreement they hope will build a firewall around Europe's sovereign debt problems and enable banks to keep credit flowing in the region. Under the agreement, banks holding Greek debt will receive 50% of what they're owed, in hopes that the reduction will enable Greece to cut its debt to 120% of its gross domestic product (GDP) by 2020. To help cushion future losses, banks will have to raise €147 billion to cover higher capital reserves. The agreement also would raise the resources of the European Financial Stability Facility to roughly €1.4 trillion, though there were no details on how the increase would be paid for. Finally, the agreement allows the EFSF to maximize its resources by guaranteeing sovereign bonds or setting up special-purpose vehicles to provide financial support.

The odds of a double-dip recession seemed to dim after the Commerce Department said the economy grew almost twice as fast in the third quarter as it did during the second. The 2.5% initial estimate of growth surpassed Q2's 1.3% and Q1's anemic 0.4%. The report also said that consumer spending rose 2.4%, including a 4.1% increase in durable goods and 3% growth in spending on services. Exports were up 4%, and business capital spending jumped 16.3%. Government spending was unchanged as a 1.3% drop in state and local government spending helped offset a 2% increase in federal government spending.

Home prices rose in August in the 20 cities tracked by the S&P/Case-Shiller index. Though prices were still 3.8% lower than a year earlier, the increase was the fifth in a row, suggesting that prices could be starting to stabilize. Meanwhile, the Commerce Department said sales of new single-family homes were up 5.7% in September.

Americans spent more and saved less in September; according to the Bureau of Economic Analysis, consumer spending was up 0.6%, while the savings rate dipped to 3.6% from 4.1%

the month before. Meanwhile, incomes rose 0.1%.

A drop in orders for transportation equipment led to a 0.8% decrease in new durable goods orders in September. The Commerce Department said it was the third straight month of declines.

The more income you had over the last two decades, the more income you got, according to a study by the nonpartisan Congressional Budget Office. For the 1% of the population with the highest income, average real after-tax income rose 275% between 1979 and 2007. Households in the top 20% saw a 65% increase in income, while for the 60% of the population in the middle, incomes grew just under 40%. Those in the bottom 20% saw an 18% increase from 1969 to 2007. The CBO said the shift in overall pre-tax income (not counting taxes and payments such as Medicare/Social Security benefits) was caused by two factors. Income sources, such as jobs, became increasingly concentrated in fewer individuals (the most important factor); also, capital gains and business income represented a larger percentage of overall U.S. income, while the share of income from salaries and wages fell.

Eye on the Week Ahead

Earnings reports should receive more attention now that a European rescue operation has been announced (though details of the debt game plan also will be under scrutiny). Unemployment data will be of interest in light of the new GDP number, as will the Fed's Wednesday announcement.

Key dates and data releases: U.S. manufacturing, auto sales, construction spending (11/1); Federal Reserve Open Markets Committee (FOMC) meeting (11/2); weekly new jobless claims (11/3); business productivity, factory orders, U.S. services sector (11/3); unemployment/payrolls (11/4).

Data sources: Includes data provided by Brounes & Associates. Index historical performance based on data from the Stock Trader's Almanac 2011. *All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. Equities data reflect price change, not total return.*

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indexes listed are unmanaged and are not available for direct investment.

About WealthTrust - Arizona

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Given the recent events impacting investors and their financial security, we would welcome the opportunity to provide a second opinion for anyone who would like to have a check-up on their investments, financial plan or estate plan. If you know of anyone who may have a concern with their current advisor or current investment portfolio, we encourage you to share our contact information with those that could benefit from a complimentary review.

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