



Eyes on Europe and the Fed

Weekly Update – September 19, 2011

U.S. stocks posted solid performance Friday to wrap up a five-day winning streak for the first time since July. The Dow and the S&P 500 were each up around 5% for the week, while the NASDAQ climbed 6.3% for the week. The five-day move was the best we've seen in two years.¹

Stocks rallied Thursday after the European Central Bank announced a coordinated action with other central banks and the U.S. Federal Reserve to offer banks easier access to dollar loans. That move, combined with comments from French and German leaders expressing confidence in Greece's place in the euro-zone, helped propel the market's performance last week.² It is likely that comments from European leaders and bankers will continue to drive investor sentiment as the debt crises in Europe continues.

It is against the backdrop of European woes and a softening U.S. economy that the Fed will hold its policy-setting meeting Tuesday and Wednesday. The Federal Open Market Committee expanded its meeting from one to two days, which some investors have taken as a signal that action will be taken, though what that action will be is not clear.

One suggestion is that the Fed will try to pump money into the economy by purchasing bonds through a third round of quantitative easing, known as QE3. But this modified version of QE3, coined Operation Twist, would involve trying to boost lending by swapping out short-term bonds with long-term ones. The intended outcome of this swap would be to lower long-term interest rates without increasing the size of the Fed's balance sheet.³ At this point though, we can only speculate about what the Fed will do.

In the week ahead, eyes will be focused on Europe and the Federal Reserve as they work to keep money flowing around the world.

ECONOMIC CALENDAR:

Monday – Housing Market Index

Tuesday – Housing Starts, FOMC Meeting Announcement

Wednesday – Existing Home Sales, EIA Petroleum Status Report

Thursday – Jobless Claims

Data as of 09/16/2011	1-Week	YTD	1-Year	5-Year	10-Year
Standard & Poor's 500	5.35	-3.31	8.12	-1.57	1.13
Dow	4.70	-0.59	8.63	-0.09	1.98
NASDAQ	6.25	-1.15	13.9	3.46	5.47
MSCI EAFE	4.41	-10.9	-2.81	-2.50	2.98
10-year Treasury Note (Yield Only)	1.91	N/A	2.76	4.80	4.84

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized.
Sources: Yahoo! Finance, MSCI Barra. Past performance is no guarantee of future results.
Indices are unmanaged and cannot be invested into directly. N/A means not available.

HEADLINES:

President Barack Obama said on Saturday that Americans need to be ready to "pay their fair share" to narrow the deficit, previewing his proposals to Congress that are expected to include more taxes on the rich. On Monday, the President will call for a new minimum tax rate for individuals making more than \$1 million a year to ensure that they pay at least the same percentage of their earnings as middle-income taxpayers, according to administration officials.⁴

Wall Street was cordoned off for a second consecutive day Sunday as about 300 to 400 people remained near Chase Manhattan Plaza for a protest dubbed "Occupy Wall Street." A smaller group, followed by a column of police motorcycles, marched uptown on Broadway as people beat drums, strummed guitars, and held up signs reading "end corporate welfare" and "we are too big to fail."⁵

With Europe's credit and banking crisis seeming to get worse by the day, there are now several reports that Brazil – as well as Russia, India, and China – may look to buy up a portion of sovereign debt from troubled European nations. The creation of a so-called euro bond, which would act as a common debt instrument much like the euro now acts as a unified currency, has been mentioned by many economists and financial experts as a possible way to help end the crisis.⁶

QUOTE OF THE WEEK:

There isn't a person anywhere who isn't capable of doing more than he thinks he can. – Henry Ford

RECIPE OF THE WEEK:

Frozen Crème Brulee



From: Vegetarian Times

These simple crèmes are made of vanilla ice cream topped with a brulee of soft caramel.

Ingredients:

2 cups vanilla ice cream, slightly softened
2/3 cup granulated sugar
1/4 cup evaporated milk
Fresh berries or mint sprigs for garnish, if desired

Directions:

- 1) Spread 1/2 cup ice cream into 4 oval crème brulee ramekins. Freeze until firm.
- 2) Meanwhile, combine sugar and 1/3 cup water in saucepan, and bring to a boil over medium-high heat, stirring to make sure sugar dissolves. Using pastry brush dipped in water, wipe down inner sides of saucepan to dissolve any sugar crystals that cling. Cook mixture about 10 minutes, or until it begins to caramelize (swirl pot to brown evenly). Cook 1 to 2 minutes more or until caramel is medium-brown. Remove from heat, and stir in 2 tablespoons water. Let cool 3 minutes, stirring occasionally. Stir in evaporated milk. Cool completely.
- 3) Spread thin layer of cooled caramel over ice cream in ramekins. Return to freezer until ready to serve. Garnish with fresh berries or mint sprig, if desired.

GOLF TIP OF THE WEEK:

Short Game Swing

It is better to think long, slow, and smooth for the short game. Precision is important around the green, so there isn't much margin for error. It's vital that you maintain a steady, smooth rhythm and tempo for every short shot you hit. Forcing yourself to make a short swing because you have to move the ball a short distance throws off your timing.

Instead, try counting through each short shot you hit: "One, two, three." Count "one" as you start the club away from the ball, "two" when you reach the top of the swing, and

"three" as you swing through. From 40-yard pitch shots to delicate chips off the apron, maintain this same count. If you do, you'll find it much easier to make consistent contact.

HEALTH TIP OF THE WEEK:

Tea Off in the Morning

Hot tea can slash your risk of kidney cancer by 15 %, according to a review in the International Journal of Cancer.

GREEN TIP OF THE WEEK:

Use Cloth Grocery Bags

Paper or plastic? Paper is better, but cloth is even better than that. Try buying a few cloth grocery bags and take them with you to the grocery store. Some stores will even give you a discount for using reusable bags. If expense is an issue, just buy 1-2 at a time, until you eventually are using all cloth bags.

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The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Google Finance is the source for any reference to the performance of an index between two specific periods.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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¹ http://money.cnn.com/2011/09/18/markets/stocks_lookahead/index.htm

² <http://www.marketwatch.com/story/us-stock-indexes-rise-for-fifth-day-2011-09-16?dist=markets>

³ <http://pragcap.com/operation-twist-qe3-style>

⁴ http://www.msnbc.msn.com/id/44563075/ns/politics-the_new_york_times/t/obama-tax-plan-demand-more-millionaires

⁵ <http://www.bloomberg.com/news/2011-09-18/wall-street-occupied-by-a-few-hundred-people-as-protesters-ranks-dwindle.html>

⁶ http://money.cnn.com/2011/09/14/markets/thebuzz/index.htm?iid=SF_E_River