

## 4Q-2011 Outlook & Analysis

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As Dr. Barry Kendell discussed last week, 3Q-2011 was one of the worst on record for U.S., Asian, Emerging, and European markets. TPI is looking forward to renewed life in the final quarter of 2011. Recently, Reuters polled 350 stock market analysts from around the world concerning their 4<sup>th</sup> quarter forecast. Their consensus was that 18 of 19 major world stock indices will either advance or suffer insignificant losses during the quarter. Taiwan's TAIEX was the lone exception in the forecast.

How is TPI approaching the fourth quarter? We remain cautiously optimistic. History has shown that stocks tend to perform well during the last 3 months of the year. In fact, data from Bespoke Investment shows:

- The S&P 500 has averaged **a gain of 2.44%** in the fourth quarter **since 1928**.
- In the last **20 years**, the S&P 500 has averaged a **4.57% growth** in the fourth quarter.
- In the last **30 years**, it has **advanced in 24 of 30 quarters** with an average return of **more than 7.00%**.

While past performance is no guarantee of future results, the statistics above certainly signify some light at the end of the proverbial tunnel.

TPI believes that the combination of macroeconomic issues and ill-timed political events, rather than a weakened U.S. economy, are the real catalysts to the market's precipitous drop. This was evident in July and August, as U.S. companies reported their 2<sup>nd</sup> quarter earnings. When data was reported, 78% of companies **exceeded earnings expectations**. Moreover, 73% of companies **exceeded revenue expectations**. This week, companies are reporting their 3<sup>rd</sup> quarter numbers. We are expecting another round of strong earnings reports this quarter.

TPI, along with many other stock analysts, remain concerned about the events happening in Europe. Greece, in particular, remains on the forefront of the European crisis. Though good news has begun to emerge, we are still quite concerned with how this crisis is going to play out. The German parliament

recently approved an expanded bailout fund. Other European economic powerhouses, most notably France, have also agreed to inflate their participation in the European Financial Stability Facility (EFSF). While enacting the EFSF is an encouraging start, the fund still has to be approved by all 17 countries that use the euro.

The U.S. government still has plenty of its own issues to focus on, not the least of which is the dreaded Debt Ceiling! This concern took center stage a few, short months ago, resulting in a U.S. economic downgrade by Standard & Poor's. Though an agreement was reached, lawmakers still have a lot of the "heavy lifting" to do in the 4<sup>th</sup> quarter. The Debt Ceiling debate will once again become a major focal point in the upcoming months.

TPI continues to follow both the macroeconomic and political climates, as well as the overall strength of U.S. corporations. We remain cautiously optimistic and expect the 4<sup>th</sup> quarter to provide better results than the 3<sup>rd</sup> quarter. As always, please feel free to contact us if you have any questions or comments.