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| |  | | --- | | October 31, 2011  Dear Investors:    Thanks to the mischievous Halloween weather and loss of power for so many, I decided to wait an extra day and then summarize the month of October in this letter.  October was an interesting month and played out almost exactly as I forecasted last month.  The markets hit a bottom on October 3rd, then abruptly reversed course to retrace most of the losses from their April highs to their October lows.  As anticipated, the reason for the rally was that the European Union would come up with a resolution to its troubled banks and exploding sovereign debt.  If this sounds familiar, it should.  This was the same reason for the markets rally throughout the month of July.  In July, the European Union came up with a plan to solve their troubled debt woes, but that resolution did not solve anything. So, they needed another plan this month.  Much like the first plan, this month's plan did not solve anything either and it is likely that I will be writing about this again in another two to three months.  It is like pulling a weed but not getting the root out, it will continue going to come back and grow again.    Prior to today's market sell off, the markets were on track for their best October in over 40 years. Even with today's sharp decline, the Dow Jones Industrial Average rallied almost 10% this month and the S&P 500 and Nasdaq surged about 11%. The gains helped the Dow clock its best monthly performance since October 2002, while the S&P 500's climb was its best since December 1991. The Nasdaq's rally in October was its best since September 2010.    The Dow Jones Industrial Average added 164.30 points, or 1.4%, to close at 11,808.79, and is now up 2.0% for the year.  The S&P 500 gained 13.67 points, or 1.1%, this week to close at 1,238.25, and is down 1.5% year-to-date.  The NASDAQ Composite was the only major index to lose ground this week as it lost 30.39 points, or 1.1%, this week to close at 2,637.46, and is now down 0.6% this year.    In the spirit of  Halloween, you have ask yourself if this October rally was a market trick with further downside ahead, or a market treat that will kick off a year-end rally?  It was a strong month for corporate earnings as most companies exceeded lowered expectations to report better than expected earnings per share for the quarter.  However, top line revenue growth remains anemic for most companies. Most of the pundits were suggesting the possibility of another recession last month, but they quickly changed their tune this month.  Despite the double digit market rally this month, the economic news does not suggest that the economy is surging.  Last Thursday, the Commerce Department estimated that the third quarter gross domestic product would increase by 2.5%.  That estimate does not make much sense if you consider that most the data points that were released between July and September were the same or lower than their respective measures in the second quarter.  But it is just an estimate, so even if it was accurate and our economy truly was growing at 2.5%, it does not justify a 10% market rally.    The key to a solid financial plan is to stay your course and not to be fooled or persuaded by unjustified rallies.  I encourage you to make an appointment to review your financial plan and explore year-end tax planning opportunities.  As always, I welcome your comments and feedback regarding my letters. I want to thank you again for your referrals and confidence.  A referral is the greatest validation of our service and commitment.    If you have any questions, please do not hesitate to call.  Our mission is to be your trusted financial professionals dedicated to delivering a high level of service to enhance your lifestyle and provide peace of mind.    ﻿﻿Best Regards,    **Vincent Pallitto, CPA, CFP®**  Certified College Planning Specialist  Summit Asset Management, Inc.  [www.summitasset.com](http://r20.rs6.net/tn.jsp?llr=5cqn8gdab&et=1106853148619&s=0&e=001IItwJYjbGUGAZoe_wgsIZpB-JXjRkDDWqOGUFmIcZP2fFuPoIxhNMFIS6pAtPRPDVnZlBys4bIywBP1GoIX6IFkr7nH2lm5Kf-ApipvPEYXkvIWvy9_R3w==)  973-301-2360  973-301-2370 Fax  A branch office of, and securities offered through LPL Financial  Member FINRA SIPC        *You cannot invest directly in a market index, market indices are for benchmark purposes.  The information in this market commentary is obtained from various news sources, Stockcharts.com and* [technicalindicatorindex.com](http://r20.rs6.net/tn.jsp?llr=5cqn8gdab&et=1106853148619&s=0&e=001IItwJYjbGUGAZoe_wgsIZpB-JXjRkDDWqOGUFmIcZP2fFuPoIxhNMFIS6pAtPRPDVnZlBys4bIxMVXlI4DEhRCU7ddKPYvMpZt2E0FdU1o1bYF2Uy2d3wWFJUKikKb4G)*.  The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.  To determine which investment(s) may be appropriate for you consult your financial advisor prior to investing.  All performance referenced is historical and is no guarantee of future results.* | |