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## Weekly Commentary September 26, 2011

### The Markets

The Federal Reserve did “The Twist,” but the financial markets ended up in “A Knot.”

In a much anticipated action dubbed “Operation Twist,” the Federal Reserve announced last week it would reshuffle its balance sheet by selling \$400 billion of shorter-term Treasury securities and use the proceeds to buy longer-term securities. The Fed said it hopes the action will lower longer-term interest rates and, “contribute to a broad easing in financial market conditions that will provide additional stimulus to support the economic recovery.”

So far, as it relates to interest rates, the Fed’s action has worked. The yield on the 30-year Treasury bond declined from 3.2 percent the day before the Fed’s announcement to 2.9 percent just two days later, according to data from Yahoo! Finance. That’s a rather dramatic decline for such a short period.

Unfortunately, the stock market failed to respond positively to the Fed’s announcement as the S&P 500 index lost 6.4 percent for the week. The market’s drop, though, went beyond disappointment in the Fed’s action. The following also contributed to the market’s red ink:

- Intensified fears of a Greek default.
- Rising concern of a world-wide financial crisis, with sovereign debt at the epicenter.
- Growing signs of sluggish economic growth in China, which had been one of the few countries immune to economic turmoil.
- A 13 percent drop in the price of copper on Thursday and Friday of last week, which is concerning because the price of copper is often viewed as a proxy for worldwide industrial growth.

Sources: *Wall Street Journal*, MarketWatch, Bloomberg

With the market's blood pressure rising, it reminds us of what flight attendants often say, "Ladies and gentlemen, the Captain has turned on the fasten seat belt sign. We are now crossing a zone of turbulence. Please return to your seats and keep your seat belts fastened. Thank you."

Likewise, as your "Financial Captain," we know there may be market volatility along the way, but, as always, we're focused on trying to help you arrive safely at your financial destination.

<b>Data as of 9/23/11</b>	<b>1-Week</b>	<b>Y-T-D</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Standard & Poor's 500 (Domestic Stocks)	-6.5%	-9.6%	-1.1%	-1.5%	-3.0%	1.3%
DJ Global ex US (Foreign Stocks)	-8.2	-20.3	-13.0	-4.4	-3.7	5.2
10-year Treasury Note (Yield Only)	1.8	N/A	2.6	3.8	4.6	4.7
Gold (per ounce)	-5.9	19.8	30.9	23.4	23.6	19.3
DJ-UBS Commodity Index	-9.1	-11.9	3.3	-7.3	-1.9	4.3
DJ Equity All REIT TR Index	-8.8	-5.2	3.7	-0.9	-2.0	9.9

Notes: S&P 500, DJ Global ex US, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable or not available.

Best regards,

Hill Financial Group

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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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 index of 30 actively traded blue-chip stocks.
- \* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- \* Commentary prepared by PEAK.
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