



Best Month in 3 ½ Years

Almost all the U.S. stock market gains this year

came in April. The DJIA scaled new peaks, surging 5.8% to set an all-time high, and brought the large-cap index into positive territory for the year, up 5.6%. The broader S&P 500 index gained 4.4% last month, and is now up 5.1% for the year. The small-cap Russell 2000 gained 1.7% and is now ahead 3.4% for the year.

U.S. markets did well, and foreign markets have done even better. Year-to-date, the Dow World Index is up 6.7% while the Dow World Index *excluding* the U.S. is up 8.2%.

Domestically, health funds led, followed by natural resource, communications and utilities funds. As with the indexes, large-cap funds outperformed small-cap funds in April by a wide margin.

The slumping dollar may be costly for U.S. consumers and foreign travelers, but benefits international fund investors whose assets are denominated in stronger currencies. The weak dollar is also helping large U.S. companies whose overseas earnings are growing faster than their domestic operations. At a time when growth is slowing in the U.S., multinational companies are able to neutralize sluggish U.S. sales with revenue from more robust economies overseas. Almost 50% of the revenue from the 30 Dow stocks is derived from foreign operations according to the AP and S&P reports that foreign sales for the S&P 500 companies are running at 48.5%.

The dollar fell to an all-time low against the Euro last month and U.S. multinational companies automatically benefit when converting foreign earnings into a cheaper dollar. The exchange rate also makes U.S. goods more attractive. A falling dollar narrows the trade gap by making imports more expensive and exports cheaper, and this is reducing the huge U.S. trade deficit.

Bolstered by the dollar's continued weakness, international funds from Europe to Asia soared. The only exception was Japan. Latin American funds gained over 8% and diversified emerging markets funds over 6% for the month.

More than half of the world's total stock market capitalization is now outside of the U.S. At the end of WW II, U.S. stocks comprised almost 90% of the world's stock market capitalization, and by 1970 we still represented two-thirds. But now, if an investor wanted to "index" or mirror the entire world's stock market, 37% would be invested in the U.S., 6% in the rest of the Americas, 32% in Europe and 25% in Asia.

If you are self-employed or own an overall business, now is a good time to evaluate adding a ROTH provision to your plan. Give us a call!

Thank you for your business...

P. Michael Valley II

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