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## September 2011: Market Review

The major U.S. equity indexes had their worst month of 2011 in September, as fears about European debt, the struggling U.S. economy, and the political efforts to fix the global economic problems drove investors away from equities. The Dow Jones Industrial Average dropped (5.91%) for the month, moving its year-to-date return to (3.90%). The S&P 500 Index lost (7.03%), leaving it with year-to-date return of (8.68%). The NASDAQ Composite was down (6.36%) (price change only) and has dropped (8.95%) so far in 2011.

Economic news in September did little to calm investors' concerns that another recession is looming. President Obama released a plan to cut the national debt by \$3 trillion over the next decade, including a provision to raise tax rates for corporations and the wealthy. The national unemployment rate held steady at 9.1%. Rates on 30-year mortgages fell to historically low levels, slightly above 4%; however, home sales remained depressed. Consumer confidence in September was at a level far below what typically indicates a healthy economy. Among commodities, barrels of WTI crude oil closed September at a 12-month low of around \$79, while gold closed the month at \$1,620 per troy ounce after hitting a price of more than \$1,900 in August.

While both styles were down significantly in September, growth style equities continued to outperform value style equities year-to-date across all capitalizations. Among large cap stocks, the Russell 1000 Growth lost (7.37%) in September and has fallen (7.20%) for the year, while the Russell 1000 Value Index fell (7.56%) and is down (11.24%) for the year. Small cap stocks were the worst-performing U.S. equities for the month, as the Russell 2000 Growth Index decreased (11.50%) and has dropped (15.57%) year-to-date, while the Russell 2000 Value Index lost (10.92%) and has fallen (18.51%) thus far in 2011. The Russell Midcap Index dropped (9.63%) for the month and is down (12.34%) year-to-date.

International equity indexes struggled in September, as sovereign debt crises in several European nations and signs of a potential slowdown in China's economic growth weighed on investors. The MSCI EAFE Index fell (9.53%) in September and has dropped (14.98%) year-to-date. The MSCI Europe Index lost (10.98%) and is down (15.61%) year-to-date. The MSCI Emerging Markets Index fell (14.58%) for the month and has lost (21.88%) year-to-date.

Fixed income performance was positive across most bond categories in September with investors seeking the perceived safety of bonds. The Barclays U.S. Aggregate Index gained 0.73% during the month and is up 6.65% in 2011. The Barclays U.S. Treasury Composite Index had another month of gains after the U.S. debt rating downgrade, ending the month up 1.75%, which improved its year-to-date gain to 8.84%. Ten-year Treasury Bond yields fell to 1.71%, their lowest level since the 1940s. Among longer-term bonds, the Barclays Treasury 20+ Year Index rose 12.37% for the month, leaving it with a gain of 31.44% year-to-date. The Barclays Corporate High Yield Index was negative for the second month in a row, falling (3.27%). Its year-to-date return is (1.39%).

Historically, equities have performed best in the fourth quarter of the year. With difficult financial, economic, and political news coming from the U.S. and abroad, investors are wondering whether this will prove true in 2011, or if the economy will be unable to avoid another recession.