

insights

April 2011

Signs of Revival?

by Katie Fay, Portfolio Manager & Financial Analyst



Spring traditionally brings new life to the world around us. This year, even the American economy finally appears ready to emerge from a lengthy hibernation.

In perhaps the most telling sign that change

is in the air, on April 1 the U.S. Department of Labor reported that the unemployment rate fell to 8.8%, the lowest level since March 2009. This number was somewhat better than expected. After all, the efforts to combat the recession with aggressive fiscal policy and expansionary monetary policy were bound to yield results eventually. However, economic observers previously concerned about the effects of a “jobless recovery” at last had hopes for more sustainable economic growth based on consumer spending strength going forward.

Another indicator that the fundamental health of the American economy was improving came in the form of

real gross domestic product (GDP) growth. The output of goods and services produced by labor and property located in the U.S. increased at an annual rate of 3.1% in the fourth quarter of 2010, according to the latest report by the Commerce Department’s U.S. Bureau of Economic Analysis. This number was a significant improvement over the third quarter, when real GDP increased 2.6%, and was the sixth positive quarterly GDP report in a row.

According to the Institute of Supply Management, U.S. manufacturing grew during the first quarter. In February, the trade group’s index of manufacturing activity reached 61.4, the highest level since May 2004. As widely expected, March’s number fell slightly to 61.2, which is still reflective of strength in this important part of the U.S. economy.

However, the U.S. recovery is still in its early stages, and there are some signs that it is not being felt evenly across all economic sectors. Aside from strength in manufacturing and consumer spending, the U.S. Federal Reserve recently noted in its Beige Book that

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What’s New

Girard Partners opens third office in Richmond, VA

We are very pleased to announce that Richard P. Mudd, CHFC will merge his practice with Girard Partners. Dick’s practice is located in Richmond, VA, which offers us synergies since it provides wealth management services to the customers of TD Ameritrade in the Mid-Atlantic region. Dick started his practice in 1990 and has been providing the same high level of advice and service to his clients ever since. Girard Partners is fortunate to add Dick’s breadth of knowledge and experience to its investment team.

Don’t miss our next conference call!

Date: Thursday, April 28, 2011

Time: 4:30 p.m. EST

Toll-Free Dial-in #: 800-473-0602

Conference ID: 21519726

Call in on **Thurs., April 28 at 4:30 p.m.** to hear our recap of the first quarter and what’s in store for the remainder of 2011. You will have an opportunity to ask questions and gain new insights.

Account statements have a new look

For the past year, Girard Partners has been working very hard to transition from our outdated portfolio management system to a new state-of-the-art system that we’re confident will not only provide our clients with a more informative and appealing report, but provide us with efficiencies and cost savings.

This is the first quarter we are using the new system, so your statements are certainly going to look a little different, but the information is the same. If there is something on the statement that you do not understand, we encourage you to give your portfolio manager a call for explanation.

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construction and real estate remain areas of special concern. The next issue of the Beige Book, which is an anecdotal compilation of reports on economic activity from the Fed's 12 districts, is scheduled to be released on April 13 and will provide more insight into the nature of the recovery.

At its March 15 meeting, the Fed also stated that the threat of inflation appears to remain low despite the improving economy. On March 17, the Bureau of Labor Statistics reported that the U.S. Consumer Price Index for All Urban Consumers (CPI-U) increased 2.1% before seasonal adjustment over the last 12 months. This represented an increase of 0.5% from February's CPI-U. The biggest culprits on the inflationary front are food prices and energy costs, particularly gasoline, as prices of a barrel of crude oil exceeded \$108 at the time of this writing.

The recent rise in oil prices is expected to be of a temporary nature since the spike is not due to any fundamental change in supply and demand, but rather is being driven by ongoing political turmoil in the Middle East. Regime change swept through Egypt and Tunisia during the first quarter and threatened to topple other governments including Syria and Yemen. In Libya, an international coalition lent support to rebel forces seeking to oust Moammar Gadhafi after 40 years under his dictatorial rule.

In other overseas developments, Japan suffered devastation after being struck by a 9.0 magnitude earthquake and tsunami. Damage to one of the country's nuclear reactors raised fears of radiation reminiscent of Pennsylvania's Three Mile Island

incident, which happened 32 years ago on March 28, 1978. In Europe, lingering doubts about the sovereign debt crisis hitting Ireland, Portugal, and Greece continue to hamper their recovery.

The American stock markets have taken these serious international news stories in stride. After the three major indices experienced a slight correction in the middle of March, the Dow Jones Industrial Average finished the quarter up 6.41% and reached the highest level since June 2008. The S&P 500 and the NASDAQ also rebounded nicely to close the quarter up 5.92% and 5.05%, respectively.

The market has been buoyed by increased merger and acquisition activity, including the combination of AT&T & T-Mobile. In addition, as the first quarter closed, the NASDAQ partnered with Intercontinental Exchange Inc. to make an \$11.3 billion counteroffer to Deutsche Boerse's \$10 billion pursuit of NYSE Euronext. These exciting deals are further signs of healthy corporations.

Despite many geopolitical events that could have given the stock market reasons to sell off, it showed remarkable resiliency. At Girard Partners, we believe that the markets' recent strength is a testament to reasonable corporate earnings forecasts being met with solid results as well as pristine corporate balance sheets following companies' efforts to pay down debt. Also, the improving economic fundamentals are surely helping investors look beyond the headlines to the long awaited signs of revival springing up.

Going green

One of the major benefits to our clients of our new portfolio management system is the ability to deliver and store electronically statements and other information about your accounts. We have a new website which will allow you to access this information, view your account daily and download reports on demand at any time.

If you are interested in this new feature, please contact Amanda Craig, who will walk you through the set-up process to access our new client portal.



Nurturing your wealth for life

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