



# Cedar Hill Market Recap

September 2011

## Stock Markets

	Month	YTD
S&P 500	-7.02%	-8.69%
Russell 2000	-11.20%	-17.02%
MSCI EAFE	-9.53%	-14.98%
MSCI Emerging Markets	-14.58%	-21.88%

## Bond Markets

	Month	YTD
Barclays U.S. Aggregate	0.73%	6.67%
Barclays Intermediate	0.00%	5.02%
Merrill Lynch 5 Yr. Municipal	-0.15%	5.42%
Merrill Lynch High Yield Master II	-3.60%	-1.69%

## Alternative Investments

	Month	YTD
HFRX Hedge Fund Index	-2.99%	-8.43 %
Dow Jones UBS Commodities Index	-14.73%	-13.62%
Dow Jones REIT Index	-10.98%	-6.58%

## U.S. Treasury Rates

	09/30/11	12/31/10
3-month	0.02%	0.12%
1-year	0.13%	0.29%
5-year	0.96%	2.01%
10-year	1.92%	3.30%
30-year	2.90%	4.34%

\*All performance figures as of 09/30/11. YTD period is 12/31/10 - 09/30/11.

## Economic Highlights

- In an effort to reduce borrowing costs further and spur economic growth, the Fed initiated "Operation Twist." It plans to purchase \$400 billion of long-term Treasuries (maturities of six to thirty years) and finance this operation with sales of an equal amount of short-duration Treasuries (three-year maturities or less). Unlike QE2, Operation Twist will not increase the size of the Fed's balance sheet.
- The Consumer Confidence Index, which declined sharply in August, was essentially unchanged in September. While consumer confidence showed signs of stabilizing, it remains near the post-recession low set in August.
- The ISM manufacturing index for September came in at 51.6, an increase over the 50.6 reported in August. More importantly, the 50-plus reading indicates that the U.S. manufacturing sector continued to expand and is not falling back into a recession yet.

## Market Highlights

- Global equity indices recorded their fifth consecutive month of declines. Having fallen more than 20 percent from the highs posted earlier in the year, the Russell 2000, EAFE and Emerging Market indices officially entered a bear market.
- Operation Twist appears to be achieving the Fed's objective of lowering interest rates as both the 10-year Treasury rate and 30-year mortgage rate fell to record lows in September.
- The Commodities Index declined sharply as fears of a global recession sparked a selloff across the major commodity classes. Early signs of a slowdown in China and concerns about a slowdown in global industrial growth caused copper to fall 22 percent during September.

## What We Are Doing About It

- U.S. large capitalization stocks remain well-positioned to weather the current environment. Depressed valuations make these companies particularly attractive investments.
- Non-traditional equity investments in MLPs, BDCs and preferred stocks offer investors historically high income (dividend) streams relative to taxable bonds.
- Bond portfolios are positioned to protect against future higher interest rates by limiting duration. As a result of Fed policy, new investments emphasize four to eight-year bonds.