WEALTH ADVISORS

AN INDEPENDENT WEALTH MANAGEMENT FIRM

ECONOMIC AND MARKET UPDATE

SEPTEMBER 2011

CURRENT ECONOMIC CYCLE

Early Expansion → Middle Expansion → Late Expansion

Late Contraction ← Middle Contraction ← **Early Contraction**

ECONOMIC NEWS

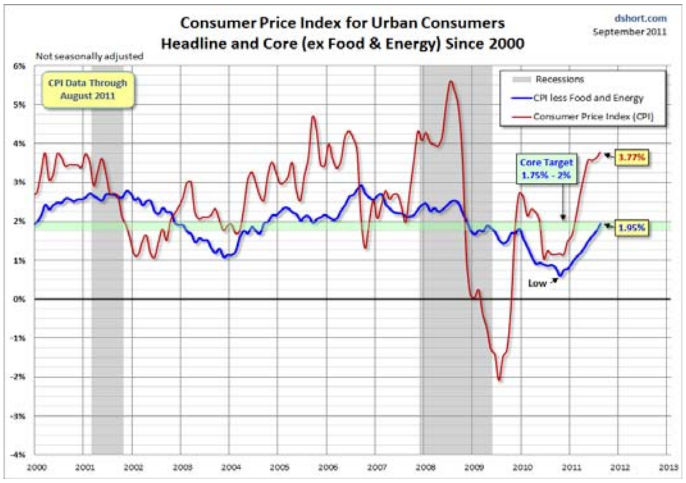
- European Central Banks, as well as the Federal Reserve, agreed to provide dollar liquidity to European Banks, but this still does not address the solvency issue related to the debt they hold.
- Jobless claims in the U.S. rose again, with continued concerns over the employment picture reflected in no growth in retail sales as consumers closed their wallets.

CURRENT ASSET CLASS ALLOCATIONS

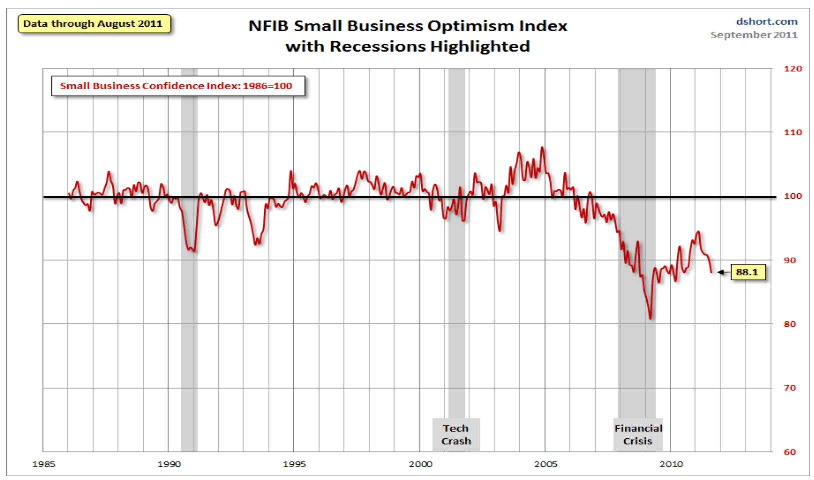
Cash & Equivalents	*Underweight*
Fixed Income	*Overweight*
Equities	*Underweight*

MARKET TRENDS

- The U.S. equity markets rallied 5% in five days, but still remain down 11% from the highs for the year.
- The two year U.S. Treasury yield dropped to its lowest in history as concerns over a Greek debt default and the impact it could have on the European banks grew.
- Extreme market volatility continues as investors react to any news about the European debt crisis and the global economy.



Inflation, as measured by the Consumer Price Index (CPI), has been increasing as food and energy prices push higher. Rising prices in a low interest rate environment put additional pressure on people that are living on a fixed income.



Recent consumer sentiment surveys have reached lows that are generally associated with recession levels. With slowing retail sales and declining consumer confidence, we are now seeing the same type of decline in the optimism of small business owners concerning future business activity.

CURRENT THOUGHTS

It is becoming increasingly difficult to find a bright spot in both the U.S. and the global economies. In the same manner that individuals have had to confront their debt levels that were created by low interest rates and excess consumption, governments around the globe are being faced with the same issues. Consumers have increased their savings and have begun to reduce their outstanding debt. Unfortunately the same cannot be said for our government as spending has now exceeded tax receipts for 35 consecutive months. With these unsustainable deficits, austerity measures are being forced on politicians, but the political will appears to be weak. As governments are forced to deal with their social contracts and entitlements, there will be pain and resistance. Investment opportunities will be found in those economies that best deal with long-term issues.

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