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12/31/11 Year End Economic Update

2011 was not the recovery year that I expected. It was a year of big shake ups and little resolution which we saw reflected in markets that had large day-to-day swings but ultimately ended almost flat for the year.

- The Arab spring lasted all year. Most of the long-standing leaders of the region have been forced out, but there's still much uncertainty about who or what exactly will replace them.
- Japan's great tsunami has long since subsided, but rebuilding is just beginning. The Japanese government has recognized that nuclear power isn't going away, but is still learning from its mistakes as far as upgrading and renovating the safety of its nuclear facilities. Important information also for similar plants in the rest of the world.
- Europe: Austerity measures have been put into place, but the Euro's survival still hangs in the balance. It's unclear whether the stronger nations are willing to do whatever it takes to keep the Union and its currency alive.
- In the US:
 - > Despite mixing up the seats back in January, our politicians never learned to play nice with each other. The entire year was fraught with 11th hour financial decisions that just barely kept the government from shutting down.
 - > The Occupy Movement founded off the tenet that Wall Street was to blame for the nation's woes, had broad based support but never forged any real solutions. Hence it managed to wreak a little havoc around the country without affecting any real change.
 - > Healthcare reform is about as unclear now as it was a year ago.
 - > Despite being more aware of how grossly underfunded Federal and State Pensions are, any real reform on that front is unlikely until after the November 2012 elections.
 - > The biggest irony of the year was in the U.S. bond market.
 - Despite our first ever US Federal rating downgrade, US Treasury bonds had a great year simply because the rest of the world looked even scarier.
 - The largest muni bond bankruptcy in US history didn't even make major headlines.
 - > But all is not gloom and doom, the latest jobs reports have showed marginal improvement. However, government efforts would be well served by helping long-term under and unemployed get back to work.
 - > Good weather and deep discounts also brought the shoppers back for the holidays.

Happy New Year! Hope 2012 is a great year for you.

	Current Month*	Prior Month	1 month	Prior Year	1 year	52 Week	
	Dec-2011	Nov-2011	% Change		% Change	High	Low
<i>Index</i>							
Dow	12,217.56	12,045.68	1%	11577.51	6%	12,928.45	10,362.26
S&P 500	1,257.60	1,246.96	1%	1258.76	0%	1,370.58	1,074.77
NASDAQ	2,605.15	2,620.34	-1%	2652.87	-2%	2,887.75	2,298.89
<i>Commodity Prices</i>							
gold	1,569.20	1,752.00	-10%	1421.40	10%	1,893.60	1,328.60
silver	28.09	32.51	-14%	30.64	-8%	49.00	27.33
oil	99.06	100.58	-2%	91.38	8%	114.58	76.07
<i>Yield</i>							
2 Year Treasury	0.24%	0.24%	0%	0.60%	-60%	0.85%	0.16%
10 Year Treasury	1.87%	2.07%	-10%	3.29%	-43%	3.74%	1.72%
30 Year Treasury	2.89%	3.06%	-6%	4.33%	-33%	4.77%	2.73%
<i>Currencies</i>							
USD/Euro	1.30	1.34	-3%	1.34	-3%	1.49	1.29
Yen/USD	76.94	77.81	-1%	81.11	-5%	85.43	75.76
<i>Interest Rates</i>							
Prime	3.25%	3.25%	0%	3.25%	0%	3.25%	3.25%
30 Yr Mortgage	4.10%	4.18%	-2%	5.07%	-19%	5.21%	4.15%

* Reflects figures for the last business day of the month December 30, 2011.

Data source: www.WSJ.com

Indices mentioned are unmanaged and cannot be invested into directly. Past performance is not a guarantee of future results. These are the opinions of the author and not necessarily those of Cambridge. Information is believed to be from reliable sources, however, its accuracy or completeness cannot be guaranteed.

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