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**Volatility Remains Elevated in November**

Equity markets remained volatile in November, but the S&P 500 managed to lose just 0.22% on a total return basis for the month. This was a surprise considering that the market increased or decreased by more than one percent in twelve of the twenty-one trading days during the month of November. The market seesawed as problems in Europe overshadowed improving economic data in the United States. Domestic stocks outperformed international stocks by a wide margin, as investors continued to seek shelter in U.S. markets. Financial services remained the worst performing sector, while consumer staples and energy were the best performing sectors in November. The dollar rallied, but so did gold and oil, suggesting that the economy may not be as weak as some investors fear. Since the financial crisis, strengthening in the dollar has usually happened during times of risk aversion. This time, it appears that the dollar is rallying due to relative economic strength in the United States.

S&P 500 Sector Data as of November 30, 2011								
	Adjusted Market Cap (\$Million)	Index Level	Performance			Performance Versus S&P 500		
			Month to Date	Quarter to Date	Year to Date	Month to Date	Quarter to Date	Year to Date
<b>TOTAL RETURNS</b>								
S&P 500 (TR)	N/A	2,137.08	-0.22%	10.68%	1.08%			
<b>PRICE RETURNS</b>								
S&P 500	11,356,877	1,246.96	-0.51%	10.21%	-0.85%			
<b>PRICE RETURNS BY</b>								
Utilities	424,901	177.59	0.46%	4.00%	11.45%	0.97%	-6.21%	12.30%
Consumer Staples	1,292,160	327.60	2.41%	6.81%	7.91%	2.92%	-3.40%	8.76%
Health Care	1,320,802	391.14	0.72%	6.37%	7.23%	1.23%	-3.84%	8.08%
Energy	1,424,383	526.41	1.65%	18.89%	3.88%	2.16%	8.68%	4.73%
Consumer Discretionary	1,204,039	305.39	-0.87%	10.83%	3.33%	-0.36%	0.62%	4.18%
Information Technology	2,204,113	413.67	-1.87%	9.38%	2.26%	-1.36%	-0.83%	3.11%
Telecom Services	347,244	125.14	0.79%	2.56%	-2.79%	1.30%	-7.65%	-1.94%
Industrials	1,216,661	289.62	0.64%	14.65%	-3.82%	1.15%	4.44%	-2.97%
Materials	405,417	216.84	-0.09%	17.50%	-9.51%	0.42%	7.29%	-8.66%
Financial Services	1,517,159	172.46	-5.02%	8.43%	-19.70%	-4.51%	-1.78%	-18.85%

\*Source: Standard & Poor's.

### Positive U.S. Economic Data

The economic data in the United States continued to improve and surpass expectations. Most importantly, the payroll data looks encouraging.



*\*Source: Department of Labor*

The four week moving average of jobless claims remained under 400,000 for the third week in a row. Claims had not been below 400,000 since March when the Japanese earthquake caused major disruptions to the global supply chain. A significant break in jobless claims below 400,000 is needed for GDP growth to accelerate. In addition, ADP reported that nonfarm private jobs increased 206,000 in November on a seasonally-adjusted basis. Finally, the unemployment rate dipped to 8.6% in November. JLAM remains cautiously optimistic that the improvement in the labor markets will stay on a steady pace.

The trade deficit declined as multinational corporations increased their exports of goods and services. Automobile sales and production remained in an upward trend. Retail sales increased, and so did consumer confidence. Consumers, who have been repeatedly written off, continue to spend and repair their balance sheets at the same time. Their spending patterns are more sustainable than the debt-fueled consumption binge that occurred before the housing bubble burst. It makes us believe that while this recovery is likely to remain choppy, it does have a

sustainable underpinning. We would be more concerned if consumers were increasing their leverage ratios. While JLAM expects the savings rate to rise, we doubt that it will derail the recovery.

### Mixed Housing Data

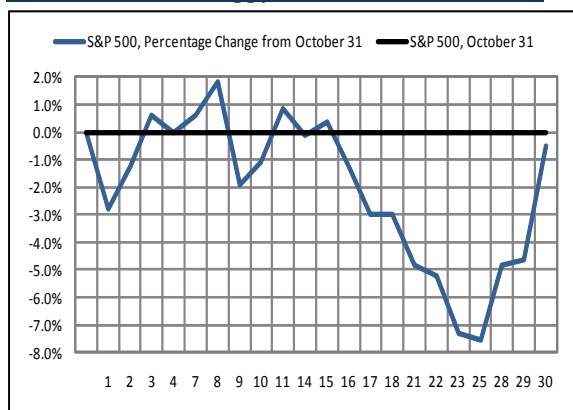
The housing market continues to search for a bottom while showing signs of life. On the negative side, the S&P/Case-Shiller Home Price 20 City Index hit a new post-bubble low and is now back to prices last seen in April 2003 before adjusting for inflation. On the positive side, housing starts increased in October, albeit from a low level and appear to have found a floor. Pending home sales are showing some signs of life. While we don't expect housing starts to get back to peak levels within the next five years, any growth in starts is positive for payrolls and consumer confidence.

Improving labor markets coupled with new household formations are slowly draining the excess supply from the housing markets. While housing is not out of the woods, the worst appears to be behind us. It is unlikely that housing will be an economic drag going forward. The question remains when and to what extent housing will contribute to job growth.

### Europe Continues to Weigh on Markets

The focus of investors' European concerns has shifted from Greece to Italy and the European banks. Prime Minister Berlusconi resigned on November 16th as the yield on ten year Italian government bonds rose above seven percent. While Italy struggled to get its financing costs and budget deficit under control, the European bank stocks and bonds were pummeled. It remains a vicious cycle in Europe. European banks are being told by regulators to reduce their leverage ratios and are accomplishing this by selling sovereign bonds which in turn is putting pressure on the peripheral European countries as their debt cost rise. Coordinated action by Western Central Banks helped stem the tide. The markets reacted positively and soared on November 30<sup>th</sup>. While the markets liked what they heard from Central Bankers, Europe still hasn't solved its problems. Despite the economic strength in the United States, Europe should remain the dominant determinant of investors' moods until there is a resolution to the crisis.

## Markets Remain Choppy, JLAM Remains Neutral



Source: Standard & Poor's & Bloomberg.

JLAM was neutral on equities when November began, and we remain neutral on equities in the near future. We continue to believe that equities are reasonably valued here. JLAM believes that patient investors will be amply rewarded on a long-term basis. Until Europe is farther along in resolving their debt issues, we will wait for pull-backs to add to equities. While we are becoming more positive on the United States economy, global markets are inter-related and will remain volatile until the European debt issues have been resolved.

Monthly Market Statistics							
				Monthly	Year to Date	52-week	
	12/31/10	10/31/11	11/30/11	% Change	% Change	High	Low
<b>DJIA</b>	11,577.51	11,955.01	12,045.68	0.76%	4.04%	12,810.54	10,655.30
<b>S&amp;P 500</b>	1,257.64	1,253.30	1,246.96	-0.51%	-0.85%	1,363.61	1,099.23
<b>S&amp;P Midcap 400</b>	907.25	887.93	883.79	-0.47%	-2.59%	1,015.26	744.98
<b>NASDAQ Composite</b>	2,652.87	2,684.41	2,620.34	-2.39%	-1.23%	2,873.54	2,335.83
<b>NASDAQ 100</b>	2,217.86	2,360.08	2,295.20	-2.75%	3.49%	2,429.50	2,038.22
<b>Russell 2000</b>	783.65	741.06	737.42	-0.49%	-5.90%	865.29	609.49
<b>MSCI EAFE</b>	1,658.30	1,505.00	1,427.27	-5.16%	-13.93%	1,809.61	1,301.15
<b>MSCI EM</b>	1,151.38	995.00	928.32	-6.70%	-19.37%	1,206.49	831.22
<b>U.S. Dollar Index</b>	78.96	76.17	78.38	2.90%	-0.74%	81.01	72.93
<b>Gold</b>	1,421.10	1,724.20	1,745.50	1.24%	22.83%	1888.70	1318.40
<b>Oil</b>	91.38	93.19	100.36	7.69%	9.83%	113.93	75.67
<b>5 yr. Note</b>	2.02%	0.96%	0.95%	-1.04%	-52.97%	2.40%	0.78%
<b>10 yr. Note</b>	3.30%	2.11%	2.07%	-1.90%	-37.27%	3.74%	1.72%
<b>30 yr. Bond</b>	4.36%	3.13%	3.06%	-2.24%	-29.82%	4.77%	2.73%

\*Source: Wall Street Journal & Bloomberg

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