



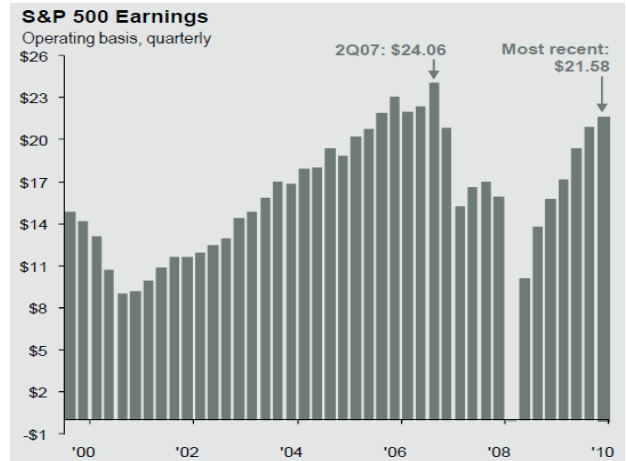
## Market Outlook for 2011 from Summit Asset Strategies

Who would have ever guessed that last year's financial markets would have provided such impressive gains while faced with the European/global debt issues, US existing housing dilemma, 9.5+% domestic unemployment, continued bank failures (almost 300 over the last 2 years), very tight loan approval guidelines, home foreclosures, further 'bailouts' being assembled, QE1, QE2, the mid-year flash crash...

The S&P 500 Index finished the year up 12.8% - having increased 6.5% in December, 2010 alone. Corporate earnings are surging, adding to already huge cash reserves on their balance sheets. Our economy is growing again. Inflation looks well under control, and the risk of surging interest rates has been delayed. Next year should be OK. The Fed seems to have hit pay dirt with the buy-back programs. Consumer spending is getting better; GDP should hit 3%-4% this year. So how do we invest in 2011? Where are the opportunities?



Source: Russell Investment Group.

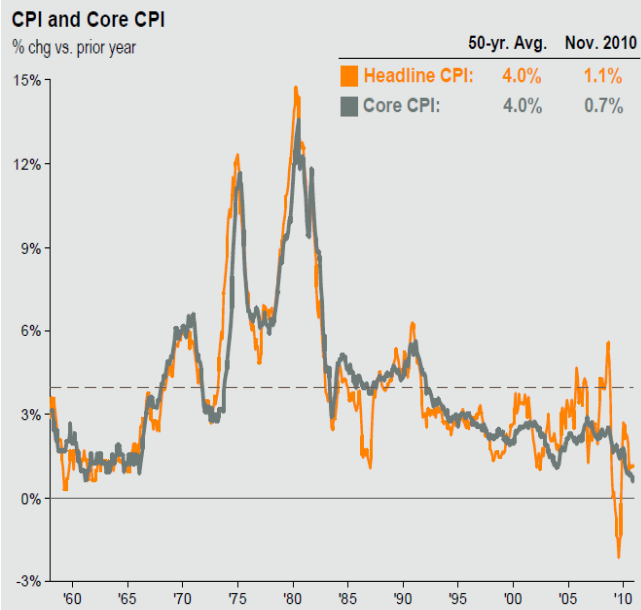


Source: Standard & Poor's, J.P. Morgan Asset Management.

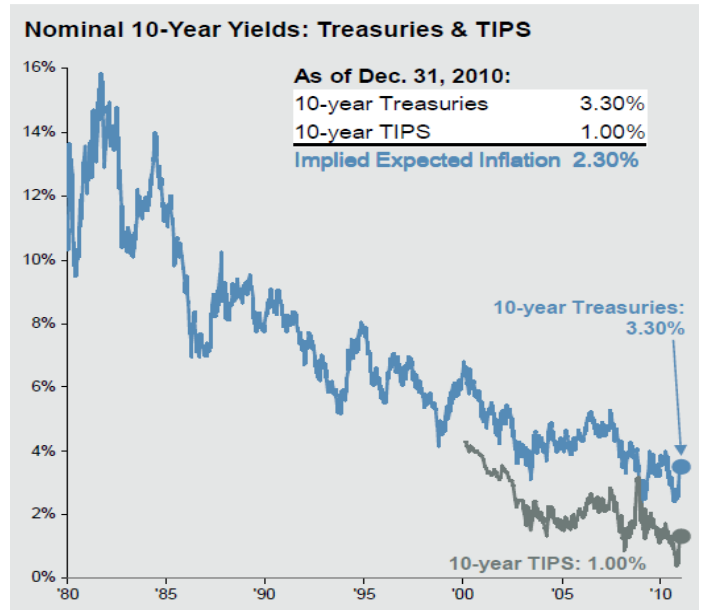
We believe that stocks for 2011 will have a repeat performance of 2010. The stock market is a leading indicator that typically projects future corporate earnings. Monetary policy in much of the developed world will remain accommodative, and the added liquidity will support higher equity prices. A stampede into emerging markets will likely continue; and may only slow as investors find less expensive leading companies in developed markets. I think finding great companies that have huge international presence (sales / revenue) in emerging markets is compelling. Fixed income investors are finding dividend-paying stocks an option to bonds. Especially at reasonable prices - US stocks are currently trading at 13 times expected 2011 earnings-which is quite a bargain. An extension of the tax cuts will continue to offer the advantage of reduced tax rates to many investors seeking dividend income. Money market yields will remain nominal. Investors will continue to chase yield.

As we digest the gains on equities from 2009-2010 (up over 35% in 24 months); it is essential for investors to remain disciplined in abiding by the long-standing guidelines of asset allocation and diversification. Look at

the distinct advantages offered by real estate and commodities as a way to reduce our portfolio correlation. Add a little more into the international sector (for both stocks and bonds); especially as prices in the US continue to increase. Spread your cap exposure beyond just the mega-companies. Both small-cap and mid-cap outperformed large-cap for most of 2010. That trend will likely continue.



Source: BLS, J.P. Morgan Asset Management.



Source: St. Louis Fed, Federal Reserve, J.P. Morgan Asset Management.

Maintain a cash cushion to use when a correction occurs to buy cheap stuff. There will be corrective periods in 2011 where stock prices go down 10% pretty quickly (without much notice). Be prepared to use your cash when this occurs. Expect at least two of these market corrections over the next 12 months.

Fixed income investors are heading into high-yields and TIPS. The long-term bond choices (Treasuries) are priced at a quite a premium. Avoid the long-term Treasury market as these levels. Many advisors are issuing warnings of loss of principal as interest rates go higher. In our own client portfolios, we are exchanging premium issues for shorter-term maturities at par. Managing duration on bond funds will help reduce risk as the FOMC begins to tighten. Additionally, we are seeking to improve quality when we can. Ten-year Treasuries should approach 3.75% late in 2011 – today's yield is 3.36%. The muni market recently has been hit pretty hard – maybe some great tax exempt issues will be available as tax rates are headed up in a few years when the recent extension expires at the end of 2012.

For 2011 it may not be another debt crisis in Europe...or the fear of a double-dip recession...or local government fiscal failures...- BUT there will be unexpected events that shake investor confidence during the next year. Don't be surprised when it happens. We do expect increased stability and an upward trend in the equity markets for the near term. Thanks for your business; and hold on tight.

## MANY HAPPY RETURNS IN 2011

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