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Doolittle & Ganos Investment Counsel, LLC Has Released its Five Non-Surprises and Market Forecast for 2011

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Carmel, CA (PRWEB) January 6, 2011

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Doolittle & Ganos Investment Counsel, LLC has released its five non-surprises and market forecast for 2011.

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1 - Low Growth for the U.S. Economy

The current deleveraging cycle will take another 5 to 7 years to play out. During this period, to the extent that consumers are diverting disposable income to paying down debt, fewer dollars will be available to feed spending growth. Lower spending growth will translate into lower revenue growth and lower earnings growth for U.S. companies lacking international exposure. The U.S economy will grow by 2 to 2.5 percent after an adjustment for inflation in 2011.

2 - Germany: The Last Honest Country (About Its Finances)

The European Union will find that more member nations do not meet the fiscal criteria set forth in the Maastricht Treaty, which governs Euro currency membership. European budget deficits and national debts will exceed their respective limits under the Treaty. The primary battle among the countries will be over the funding of support to the affected countries. Germany will insist supported countries ultimately repay loans while France will want supported countries ultimately receiving forgiveness of the loans. Germany's proposal will be adopted as France's proposal provides no incentive for supported countries to reform.

3 - State Woes Keep Unemployment High

Over the past 30 years, State of California spending has increased 25 percent more than the State's economy has grown. The Cato Institute predicted that the State of California would experience a budget crisis. It did. The usefulness of accounting trickery employed by the State Legislature in 2009 and 2010 will end in 2011. The State of California will face austerity measures and begin to downsize. Other States will have their own days of reckoning. This downsizing will keep the U.S. unemployment rate artificially high.

4 - Commodities Prices Will Continue to Move Up

The developing nations' massive infrastructure build-out will keep industrial metals and aggregates near or above their 2008 highs, which were regained in 2010. Given the expansion into the middle class by the world's population, crude oil will move above $100 per barrel. Being 60 to 100 percent above its historical trend, gold will not make a substantial upward movement. Lumber prices will continue to move up toward $4 per

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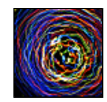
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board-foot as residential construction improves. Food commodities will rise an average of 10 percent during 2011. All of this will precipitate inflation and higher interest rates.

5 - There Will Be No Meaningful Tax Legislation or Resolution to Federal Deficit Spending

Given the legislation passed in December 2010, Congress has no incentive to pose any major tax legislation in 2011. Historically, the Internal Revenue Code has received a major overhaul every 20 to 30 years. The last major rewrite was in 1986. 2011 will see the initiation of a dialogue that will ultimately lead to a major rewrite to be enacted in 2015 or 2016. On the fiscal side, 2011 will not see any curtailment of the present orgy of spending by the Federal government.

Forecast for the Markets

"The year 2011 will continue the return to stability that was started in 2010," said Jerry Matecun, Portfolio Manager at Doolittle & Ganos Investment Counsel, LLC.

The S&P 500 ended 2010 at a price level of roughly 1257. The S&P 500 will end 2011 at a price level of 1330. This equates to a price return of nearly 6 percent. Adding dividends, the S&P 500 will see an 8 percent total return. The materials sector will be the strongest performer.

With the Euro and British Pound achieving relative stability with the U.S. Dollar, European equities will find no advantage over the S&P 500. However, as these currencies devalue relative to emerging market currencies and given the economic growth in these nations, developing market equity will continue to outperform U.S. and European equities.

As financing concerns ease, increasing deal-flow will improve private equity returns. Health care REITs will be the strongest sector in the real estate asset class. Natural resources will be the strongest performing asset class during 2011.

Income securities will be a tale of two cities. As inflation raises its head and interest rates move up, fixed-rate instruments will underperform variable-rate instruments. As as developed nation currencies devalue relative to those of emerging nations, income instruments of developed nations will underperform those of emerging nations.

Historically, the U.S. equity market experiences a 10 percent correction every six months. 2011 should be no different.

Disclaimer

The above forecasts are opinions and cannot be guaranteed.

Doolittle & Ganos is a wealth manager registered with the U.S. Securities & Exchange Commission as an investment advisor. The firm assists business owners, executives, and professionals translate a lifetime of success into consistent retirement income. It specializes in complex financial planning, international financial planning, and business owner succession planning. The firm has offices in Carmel and Walnut Creek. It serves U.S. and international clients. Founded in 1975 and with over 100 years in collective professional experience, the firm believes it best serves the client with a net worth of $2 to 20 million.

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