

US stocks topped rival markets in 2011

Written by AFP / The Swedish Wire

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- [Commodity markets end 2011 with a whimper](#)

WASHINGTON, December 30, 2011 (AFP) - US stocks outperformed major markets across the globe in 2011 as the S&P 500 made it past the finish line Friday virtually unchanged after one of the most volatile years on record.

With investors abandoning their longtime favorites, the emerging markets, and with Europe's bourses mired by the eurozone crisis, Wall Street came in as a investor sanctuary, even if net gains were nothing to shout about.

Despite a late-session drop on Friday, the Dow Jones Industrial Average -- the top 30 blue chips -- managed to come in with a 5.6 percent gain for the year, ending at 12,217.56.

The broad-based S&P 500 ended where it started, off by a small fraction to 1,257.60.

And even the tech-heavy Nasdaq Composite held together enough to register just a 2.2 percent loss.

Compared to the Nikkei's 17 percent fall, a 19 percent drop in Hong Kong, 25 percent in Bombay and 18 percent in Brazil, and the 18 percent loss for the blue chips of the Euro Stoxx 50, the US was the best destination for investors in 2011.

But US markets only barely made up their steep losses in the fourth quarter, as economic growth appeared to regain its footing while economies elsewhere slowed and Europe sank further into crisis.

"Although investors may not have scored the absolute return that they wanted, the stock market still exhibited relative strength while most of the world's other major equity averages

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suffered double-digit percentage declines in 2011," said [Briefing.com](#) in a review of the year.

The markets were helped by a solid recovery in US corporate earnings, including the banks and auto industry. Profits were up on average 13 percent, and many companies built up cash piles or bought back shares as they girded themselves for more challenges in the new year.

Markets were also helped by the Federal Reserve, which kept interest rates near zero for the third straight year, and by aversion to other currencies, especially the euro.

Even so, because of investor skittishness, said Briefing, "stocks remain extremely cheap on a relative basis."

The year was marked by severe volatility, as the world was rocked by extreme events -- the Arab Spring uprisings, Japan's massive earthquake-tsunami disaster, repeated US political showdowns over the deficit that led to a historic S&P downgrade of its credit rating, and Europe's crisis, which sparked fears of a possible breakup of the eurozone.

Through that, volatility on the S&P 500 was higher than all but four of the last 31 years: only the crash years of 1987, 2002, 2008 and 2009 were rockier.

The stars of the Dow were led by fast-food giant McDonald's, up 31 percent for the year, drug maker Pfizer (24 percent) and Kraft Foods (19 percent).

The dogs were Alcoa, off 44 percent, Hewlett-Packard (39 percent) and JPMorgan Chase (22 percent).

Nasdaq's big counters were mixed as well. Apple, which lost visionary leader Steve Jobs during the year to cancer, closed 25.1 percent higher. Google added 7.9 percent, and Intel gained 15.4 percent.

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Amazon lost 5.3 percent, Microsoft slid 6.8 percent, and Oracle sank 18.0 percent, most of that lost in December when it missed an earning forecast.

Analysts are marginally optimistic about the coming year, with much depending on whether the US economy can sustain and add to its feeble pace of expansion.

"The market continues to be held in check by ongoing risk, most of it associated with other parts of the world, in this case Europe," said Hugh Johnson of Hugh Johnson Advisors.

"Next week I cross my fingers... I think they are going to be good reports for the US economy and that might help the US markets next year."

Michael James of Wedbush Securities said he hopes the rally of earlier this week will hold over into January.

"It is an indicator that people are taking a relatively optimistic tone looking into the start of the year."

But, according to Marc Pado of Cantor Fitzgerald, the uncertainties of the past months won't go away easily over the next quarter.

"All the things that have been disrupting to this market are going to be addressed in the first quarter, really undermining any enthusiasm," he predicted.