

Russell's view: Perhaps there is a silver lining

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A message to financial advisors and their clients

In the U.S., jobless claims fell to four-month lows. In Europe, German Chancellor Merkel and French President Sarkozy scheduled a meeting to address the continent's debt crisis. The market roller coaster went up on the news. Does this mean that Friday will be down? As events continue to unfold about the global markets, Russell Investments' experts will continue to share their insights with you.

Jobless claims number inconsistent with a recession

Two events appear to have driven Thursday's numbers. The first was the release of U.S. jobless numbers, showing a four-month low in new claims. The market was clearly hungry for some good news. Even though this number was far from ideal, its position below the 400,000 mark appeared to be considered a positive. Based on equity performance, the market apparently deemed this number to be inconsistent with a recession – at least for a day.

The silver lining of political will

The second event was the agreement by German Chancellor Angela Merkel and French President Nicolas Sarkozy to meet on Tuesday, August 16, to address Europe's ongoing debt crisis.

It's hard to find a silver lining in the current environment, but here is one – strong negative market movements have the ability to create political will. We saw this in October of 2008 when the market crash made it palatable for former U.S. Secretary of the Treasury Hank Paulson, Jr. to arguably nationalize the banking system. We seem to be seeing this now, as the markets perhaps are convincing Germany and France to begin to consider the potential costs of not more fully addressing the European debt situation.

The question remains – has the market bared enough teeth so that France and Germany will be willing to start writing check, buying bad debt at an accelerated pace and getting Europe's banks back on a sound financial footing? Wait and see.

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