Market action last week centered on the European summit that took place on Thursday and Friday. While no one is suggesting that the debt crisis will go away any time soon, the framework agreement that was reached has at least reduced some of the anxiety and appears to have eased the gridlock in European financial markets.

Although there are many details that still need to be worked out, it does appear that most parties in Europe are in agreement about the need to establish a more stable fiscal union that has tighter controls over the region's debts and deficits. While these moves will do little to ease the near-term debt issues affecting many European countries, they are important in that they represent the start of the process of assuring investors and central bankers (particularly the European Central Bank) that politicians are serious about fiscal discipline and that they can no longer delay action. In our view, last week's summit may well represent the first tangible positive developments since the crisis began.

We have been suggesting over the past several weeks that economic growth in the United States appears to be accelerating, and last week's economic data helped confirm this view. Specifically, US jobless claims fell sharply and we are optimistic that payroll growth should surprise to the upside over the coming months. Additionally, consumer spending remains solid and the corporate sector has been seeing strong profit growth, a trend we expect will continue.

While we are not calling for particularly strong levels of economic growth in the year ahead, we do believe that positive surprises may outweigh negative ones. We are expecting to see income levels rise in 2012 and are also calling for continued improvements in private payrolls creation. A key risk to this outlook remains the uncertainty over the extension of the payroll tax cut into 2012. At present, we believe it is more likely than not that a deal will be put together to extend the cuts, but absent such a deal economic and fiscal headwinds would grow.

For stocks, it is hardly likely to be smooth sailing from here, but conditions have certainly improved since the wild market swings that we saw over the summer. Looking ahead, we can identify some reasons for further optimism, particularly in terms of how resilient the US economy has been. As has been the case for many months now, the Eurozone crisis remains the key wildcard, but we may be beginning to see a clearer endgame.

December 12, 2011