



THE PLANNING GROUP

A Wealth Management Firm
Tax, Investment and Insurance Strategies

Weekly Commentary January 4, 2010

The Markets and Economy^{7&8}

Things somewhat coasted up to the end of 2009. Most are hopeful that the worst is behind us, but not very sure that any recovery will be strong and sustained.

It would appear that the decade ahead of us will be one of slow growth and struggle for most Americans. A recovery will happen, but probably a weak one. With a backdrop of social and economic crises, including National Healthcare, the funding issues surrounding Medicare and Social Security, not to mention the strained private pension system, underfunded public pensions, and the huge numbers of Baby Boomers retiring. One could argue that the next decade may end up being a bookend to the previous "lost decade," where keeping your head above water may be called success.

Of course, the real question now is what can we expect in 2010? I don't think there's any question that 2008 was an overreaction on the downside, which created the potential for an equally volatile upward move in 2009.

The panicked drop in 2008 was fed by concerns that the worldwide financial system might collapse. Government fiscal and monetary actions by many nations prevented that from happening. When the collapse didn't happen, share prices recovered dramatically, but nowhere near where they had started.

What will it take for the markets to record another double-digit advance in 2010? Probably not until we see companies start hiring instead of cutting workers, and replenishing rather than downsizing their inventories?

If those things don't start to happen relatively soon, I see a very weak stock market in 2010 – low single-digit gains at best, and possibly low single-digit declines a real possibility. The "excitement" of the roller coaster ride of the past two years is likely over, but we may be looking at some pretty boring times ahead.

For many, the boom in stock prices in the 1980s - 1990s, and the boom in housing prices in the 2000s, made up for a lack of financial discipline and planning. Individuals are going to have to be more responsible for our own success in the coming decade.

Year-to-Year Comparisons

Data Item	1-Jan-10	1-Jan-09	Change	% Change
Dow Jones Ind. Avg.	10,428.05	8,776.39	1,651.66	18.8%
S & P 500 Index	1,115.10	903.25	211.85	23.5%
NASDAQ Composite	2,269.15	1,577.03	692.12	43.9%
S & P 500 P/E Ratio	19.0	20.0	-1.0	-5.0%
S & P 500 Dividend Yield	2.09%	3.20%	-0.01	-34.7%
30-Year T-Bond Yield	4.63%	2.68%	0.02	72.8%
10-Year T-Bond Yield	3.83%	2.21%	0.02	73.3%
90-Day T-Bill Yield	0.06%	0.07%	0.00	-14.3%
30-Year Mortgage Rate	5.14%	5.10%	0.00	0.8%
15-Year Mortgage Rate	4.54%	4.83%	0.00	-6.0%
1-Year Adjustable Rate	4.33%	4.85%	-0.01	-10.7%
\$ Value of Euro (€)	1.43	1.39	0.04	2.7%
Japanese Yen (¥/\$)	93.04	90.84	2.19	2.4%
Crude Oil, Spot Price	\$78.87	\$38.95	\$39.92	102.5%
Gasoline, Reg. (\$/Gal.)	\$2.61	\$1.61	\$1.00	61.9%

According to a report in *USA Today*, companies in the Standard & Poor's 500 Index are expected to reduce their dividend payments to shareholders for 2009 by \$52.6 billion, or a 21% cut from 2008. That's the worst year for dividend cuts on a dollar basis, and the worst on a percentage basis since the 39% cut in 1938.

Best wishes for 2010, and for many years to come.

The Planning Group Investment Team

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⁷ The source for the information for On The Economy was derived from Bob LeClair's *Finance & Markets Newsletter* 12/20/09.

⁸ In addition, information for Tidbits was derived from *The Virtual Advisor* 12/15/09.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

* The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- * Consult your financial professional before making any investment decision.
- * You cannot invest directly in an index.
- * Past performance does not guarantee future results.
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