THE PLANNING GROUP

A Wealth Management Firm

Weekly Commentary
February 1, 2010

The Markets

Let's recap some of the good news last week:

- The Commerce Department said the economy grew in the fourth quarter at its fastest pace in more than six years;
- The Institute for Supply Management-Chicago said its index of Midwest business activity rose more than expected in January;
- Consumer sentiment in January as measured by The Reuters/University of Michigan Surveys of Consumers hit its highest level in two years; and
- Of the 220 companies in the S&P 500 index that have reported fourth quarter earnings, 78% of them exceeded analysts' expectations, according to Thomson Reuters. In a typical quarter, only 61% of companies beat Wall Street targets.

Sounds pretty good, doesn't it? So, how does the stock market respond? It goes down.

Once you delve into it a little further, this "good news for the economy is bad news for the stock market" may not be as illogical as it seems. Do you remember how bad things were back in early March 2009? Just as the economy seemed on the brink of destruction, the stock market turned around and started soaring. Back then, investors detected the early signs of a turnaround in the economy. They were proven right as evidenced by last quarter's GDP growth and the positive fourth quarter earnings that are now coming out.

Effectively, the stock market anticipated the recent positive news and that is partly why the market rallied so much in 2009. Now, it appears that much of this good news is already "priced" into the market. So, rather than propelling the market higher, the good news is causing some investors to take profits while waiting for the next catalyst.

Whether this recent downturn is just a bump along the bull market path or the beginning of a new leg down is unknown. Either way, we continue to monitor the situation on your behalf.

Data as of 1/29/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.6%	-3.7%	30.0%	-8.9%	-1.9%	-2.6%
DJ Global ex US (Foreign Stocks)	-3.4	-4.4	43.5	-7.4	2.8	0.7
10-year Treasury Note (Yield Only)	3.6	N/A	2.8	4.9	4.1	6.7
Gold (per ounce)	-0.5	-2.3	20.9	18.7	20.6	14.3
DJ-UBS Commodity Index	-4.3	-7.3	16.4	-7.0	-2.5	2.9
DJ Equity All REIT TR Index	-0.7	-5.2	41.7	-15.7	1.3	10.3

Notes: S&P 500, DJ Global ex US, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable or not available.

WHAT DO A MICROSCOPE AND A TELESCOPE have in common as it relates to investing? Both of them represent ways to look at the markets that may help us be better investors.

Structurally, we like to view the markets through a microscopic and a telescopic lens. Through reports like the one you are reading now, we keep tabs on what is happening at a microscopic level. We know that what happens in the short-term at the granular level could be early warning signs of longer-term changes. These microscopic changes could include things such as: changes in market internals and technical analysis, insider buying or selling, unexpected changes in economic numbers, and sentiment changes.

Our telescopic lens captures the big picture view of trends and opportunities that unfold over longer periods. These take longer to come to fruition, but usually end up generating the greatest rewards. Telescopic changes could include things such as: regulatory changes, technological changes, monetary and fiscal policy changes, and demographic changes.

Utilizing a microscopic and telescopic point of view helps us pay attention to the short-term so we don't get blindsided, while allowing us to scan the horizon for bigger trends that may ultimately have the largest positive impact on your portfolio. You could also call it being "bifocal."

On The Economy[7]

I couldn't help but chuckle with an economist's comment "Last week's economic data reminded me of a book title from the 1960's, "*Been Down So Long, It looks Like Up to Me.*" That seems like an appropriate description of where we are today in terms of the recovery … any bit of good news – no matter how minor – is warmly welcomed".

"Bottom Line: Don't be fooled by an occasional news item that seems to indicate we're on the road to economic recovery. The worst may be behind us, but it's going to be a long, slow road back, and I'm not sure where we'll end up. A year from now, GDP growth is likely to be in the 2-3% range, with weak job growth, and a stubborn unemployment rate still in the 7-8% range. If that forecast is correct, don't expect much more than low single-digit returns from the stock market."

Although not great news, we unfortunately agree.

Additional Thoughts[8]

Interest rates dipped for both bonds and mortgages. T-bill rates increased a few basis points, but one giant money-market fund actually reported their rate at zero. It is likely the fear of loss that is keeping $4 trillion in money market funds these days - certainly not a good sign for the stock market.

The average investor is stuck in "neutral" these days. What choices do they have?

- Money-market funds? Not much return, but they are safe.
- Bonds? They are paying more than money market funds. But with interest rates are at historic lows, watch out when they start to rise - bond prices will fall.
- Munis? Similar concerns as corporate or government bonds. Higher

than typical interest rates in compared to taxable bonds are result of the financial concerns of the municipalities. Certainly the prospect of higher individual tax rates next year could make them appealing to high-income individuals. But you need to stay short term, probably not longer than 3-5 year maturities.

- Stocks? Will likely have weak returns in 2010 with lots of accompanying volatility and risk. OK for the long run, but ….
- Given today's markets, I would say that we are most comfortable with our tactical style active managers - for both fixed income as well as stock portfolios.

Weekly Focus – Think About It

"It is impossible to produce a superior performance unless you do something different from the majority."
John Templeton

Best regards,

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*.

[8] The source for the information for Additional Thoughts was derived from Bob LeClair's *Finance & Markets Newsletter*.

* 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 DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.

* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* 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.

* This newsletter was partly prepared by PEAK, various commentaries, and our office.

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