

THE PLANNING GROUP

A Wealth Management Firm

Weekly Commentary June 21, 2010

An update

The S&P 500 bounced back 2.4% last week, providing a 0.2% gain since the first of the year. The “bullish percent” (an indicator of the direction of the market) which had fallen from an earlier high of 80% to last week’s 38% has reversed back to a positive direction. Both DPS and F² have made recent moves to edge back into the market.

Obviously, nobody knows where the markets are going - but our tactical manager’s styles are structured to error on protecting the downside. Since you do not get a “do over” in retirement, it is critical to protect the downside as well as one can.

We have experienced a series of headlines that have sent the market on a yo-yo ride since we dropped the New Year's ball in Times Square six months ago. After all of these headline-grabbing events, the S&P 500 index has risen a whopping 0.2% between December 31, 2009 and last Friday.

Data as of 6/18/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.4%	0.2%	21.3%	-10.0%	-1.7%	-2.8%
DJ Global ex US (Foreign Stocks)	4.0%	-6.8%	16.1%	-11.4%	2.2%	0.5%
10-year Treasury Note (Yield Only)	3.2%	N/A	3.8%	5.1%	4.1%	6.0%
Gold (per ounce)	3.0%	13.8%	33.5%	24.2%	23.4%	16.0%
DJ-UBS Commodity Index	2.7%	-7.7%	1.7%	-10.0%	-4.5%	2.2%
DJ Equity All REIT TR Index	2.4%	15.1%	70.3%	-7.1%	2.0%	11.0%

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.

HELEN REDDY PROCLAIMED, "I am woman, hear me roar. In numbers too big to ignore," back in the early 1970s. Today, those words are coming true in education, the workplace, and on Wall Street.

In an article titled, "The End of Men" in the July/August 2010 issue of *Atlantic Magazine*, author Hanna Rosin reported some little known statistics about how far women have come in today's society. How many of these were you aware of?

- As of earlier this year, women now outnumber men in the U.S. workforce for the first time ever.
- Even though women outnumber men in the workforce, three-quarters of the jobs lost in this recession were lost by men.
- Thirteen of the 15 job categories projected to grow the fastest over the next decade are staffed primarily by women.
- According to the Bureau of Labor Statistics, women now hold more than 50% of managerial and professional jobs.
- According to Rosin, women now earn 60% of master's degrees, about 60% of all bachelor's degrees, about half of all law and medical degrees, and 42% of all MBAs.

- A 2008 study by researchers at Columbia Business School and the University of Maryland looked at the top 1,500 U.S. companies from 1992 to 2006 and discovered that firms that had women in top positions performed better.

The rising level of women's educational attainment and workplace prominence will have a profound impact on the business and investment spheres in the years to come. As part of our "find a trend and throw yourself in front of it" philosophy, we will continue to monitor this long-term trend and the ensuing investment implications.

The Economy⁷

There has been very little movement in the interest rates lately, and we would not be surprised to see this continue for an extended period of time. Mortgage rates remained fairly static, and are likely to continue so. With the weak housing market, there is not much upward pressure.

Additional Thoughts⁸

Banks and other recipients of TARP money have repaid \$194 billion, with \$190 billion remaining due. The Treasury says, "TARP repayments have continued to exceed expectations, substantially reducing the projected cost of this program to taxpayers. This milestone is further evidence that TARP is achieving its intended objectives: stabilizing our financial system and laying the groundwork for economic recovery."

THE NY STATE SHELL GAME – The New York Times reports that state leaders have tentatively agreed to allow the state and municipalities to borrow nearly \$6 billion to help them make their required annual payments to the state pension fund. One could argue that this is a problem in itself, but when you consider they will borrow the money to make the payments to the pension fund from the same pension fund, it certainly causes one to ponder.

Despite warnings from the likes of Warren Buffett who recently warned of a "terrible problem" ahead for municipal bonds, investors continue pouring money into the \$2.8 trillion muni-bond market (acting according to some as though there is no risk of default with municipal bonds, despite the fact that numerous municipalities are struggling financially). There may be an assumption on the part of investors that the government will step in to avoid a municipal bankruptcy.

Closing Thoughts⁸

You cannot defy the financial laws of the universe forever. What goes up must come down. The borrower is the servant of the lender. Cutting corners almost always catches up with you in the end. Here are a few revealing statistics about the U.S. economy that are almost too grave to believe...

- In 2010 the U.S. government is projected to issue almost as much new debt as the rest of the governments of the world combined.
- It is being projected that the U.S. government will have a budget deficit in 2010.
- In fact, if you spent one million dollars every single day since the birth of Christ, you still would not have spent one trillion dollars by today.
- U.S. corporate income tax receipts were down 55% (to \$138 billion) for the year ending September 30th, 2009.
- There are now 8 counties in the state of California that have unemployment rates of over 20%.
- In February, there were 5.5 unemployed Americans for every job opening.
- According to one new survey, 24% of American workers say that they have postponed their planned retirement age in the past 12 months.
- In California's Central Valley, 1 out of every 16 homes is in some phase of foreclosure.
- For the first time in U.S. history, banks own a greater share of residential housing net worth in the United States than all individual Americans put together.
- More than 24% of all homes with mortgages in the United States were underwater as of the end of 2009.
- The state of New York has delayed paying bills totaling \$2.5 billion as a short-term way of staying solvent but officials are warning that its cash crunch could soon get even worse.
- To make up for a projected 2010 budget shortfall of \$280 million, Detroit issued \$250 million of 20-year municipal notes in March. The bond issuance followed on the heels of a warning from Detroit officials that if its financial state didn't improve, it could be forced to declare bankruptcy.

- Two university professors recently calculated that the combined unfunded pension liability for all 50 U.S. states is \$3.2 trillion .
- This most recent recession has erased 8 million private sector jobs in the United States.
- 39.68 million Americans are now on food stamps, which represents a new all-time record. But things look like they are going to get even worse. The U.S. Department of Agriculture is forecasting that enrollment in the food stamp program will exceed 43 million Americans in 2011.
- U.S. law enforcement authorities claim that there are now over 1 million members of criminal gangs inside the country. These 1 million gang members are responsible for up to 80% of the crimes committed in the United States each year.
- If you only make the minimum payment each and every time, a \$6,000 credit card bill can end up costing you over \$30,000 (depending on the interest rate).

Best regards,

The Planning Group Investment Team

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* Consult your financial professional before making any investment decision. You cannot invest directly in an index. Past performance does not guarantee future results. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* 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 ⁷The source for the information for On The Economy was derived from Bob LeClair's *Finance & Markets Newsletter* 6/13/10. ⁸The source for this information is *The Virtual Advisor* 6/14/2010.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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