

# THE PLANNING GROUP

A Wealth Management Firm

## Weekly Commentary July 6, 2010

### The Second Quarter in Review

Data as of 6/30/10	2nd Quarter	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-11.9%	-7.6%	12.1%	-11.8%	-2.9%	-3.4%
DJ Global ex US (Foreign Stocks)	-12.6%	-11.2%	9.2%	-12.7%	1.3%	0.0%
10-year Treasury Note (Yield Only)	3.8%	N/A	3.5%	5.0%	3.9%	6.0%
Gold (per ounce)	11.5%	12.7%	33.1%	24.1%	23.3%	15.8%
DJ-UBS Commodity Index	-4.8%	-9.7%	2.6%	-9.5%	-3.8%	1.8%
DJ Equity All REIT TR Index	-4.1%	5.4%	53.6%	-8.8%	0.4%	10.2%

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.

### STOCK MARKET RALLY FALTERS ON "MACRO" ISSUES

The stock market rally that began in March 2009 came to an abrupt halt in the second quarter. Despite excellent first quarter corporate earnings, investors fretted about larger issues that could overwhelm the economy in the months ahead. These "macro" issues include unsustainable government debt levels in numerous countries, the unwinding of stimulus spending, possible deflation, persistently high unemployment, financial regulation, and a government-orchestrated economic slowdown in China. These concerns helped send the S&P 500 index to an 11.9% decline in the quarter.

### Second Quarter Country Returns Based on the Dow Jones Global Indexes Ranked by U.S. Dollar Performance

#### Winners

Sri Lanka	25.7%
Peru	5.9%
Philippines	5.8%
Iceland	4.6%
Indonesia	3.4%

#### Other Notables

Greece	-39.3%
Spain	-22.3%
France	-20.5%
Brazil	-14.8%
U.K.	-14.0%

Source: Dow Jones Indexes

## **ECONOMY SLOWS DOWN**

A variety of economic reports over the past few weeks suggest the economy is slowing down. For example, home sales dropped, consumer confidence slumped, manufacturing growth cooled off, and new claims for unemployment insurance remained high. However, a slowdown does not necessarily mean we are headed for another recession.

Today's weak economy puts policymakers in a tough spot. Normally, fiscal and monetary stimulus is enough to jumpstart growth. Unfortunately, we've shot those two rockets and we still haven't reached escape velocity. If the economy rolls over from here, the question becomes, "Where do we find a third rocket?" According to Tony Crescenzi, strategist and portfolio manager at Pimco, our third rocket might consist of time, devaluations, and debt restructurings. If fired, this third rocket could be painful for many Americans.

## **INTEREST RATES DIVERGE BASED ON RISK PERCEPTION**

As the stock market declined, yields on U.S. government securities declined, as investors fled to the perceived safety of our government paper. During the quarter, the yield on the U.S. Treasury 10-year note declined from 3.8% to 3.0%. This decline in yield occurred even though the government issued more than \$300 billion in new debt during the quarter. It was a different story in the corporate bond arena. Yields on investment-grade corporate bonds and high-yield corporate (junk) bonds rose as investors began pricing in added economic risk. In a sign of growing risk aversion, the spread between yields on corporate bonds and government bonds rose significantly, as investors required a higher yield to hold the potentially riskier corporate bonds.

## **THE DOLLAR REMAINS POPULAR**

Two major trends are apparently tugging at the dollar and in any given week, one trend seems to outweigh the other. The euro zone debt crisis helped spark a flight to the U.S. dollar and was a major reason why the dollar jumped sharply in the second quarter. However, toward the end of the quarter, disappointing economic numbers out of the U.S. and new austerity measures in the euro zone led some investors to rethink their dollar-haven strategy.

## **SUMMARY**

The recovery from the recession hit a rough patch in the second quarter as several economic indicators turned soft and the stock market turned south. It's too soon to tell if this is the start of a new leg down or simply a pause that refreshes. Either way, we continue to do our best to help you reach your goals.

## **Weekly Focus – Think About It**

"Psychology is probably the most important factor in the market--and one that is least understood."  
--David Dreman

Best regards,

*The Planning Group Investment Team*

\* The content of this newsletter has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or to participate in any particular investment strategy. We derive information from a variety of sources we consider reliable, but we do not represent that the information is accurate or complete. The opinions and statements herein are subject to significant business, economic and competitive uncertainties and actual results could be materially different, thus there are no guarantees and are subject to change at any time. Financial planning and investment advisory services are offered through The Planning Group of Scottsdale, LLC, and Ives Asset Management, Inc., both firms are SEC Registered Investment Advisor and . Certain securities may be offered through Meridian United Capital, LLC, a registered broker/dealer and FINRA member firm.

\* 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

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

\*To unsubscribe from the Weekly Commentary please reply to this e-mail with "Unsubscribe" in the subject line, or write us at:

Scottsdale Office - 8800 N. Gainey Center Drive - Suite 176 - Scottsdale - Arizona - 85258-2122  
Sun City West Office - 13912 W. Stardust Blvd. - Suite 119 - Sun City West - Arizona - 85375  
Telephone (480) 596-1580 - (888) 596-1580 - Fax (480) 596-2165 - e-mail - kris@theplanninggroup.com

---