

THE PLANNING GROUP

A Wealth Management Firm

Weekly Commentary August 16, 2010

Overview⁶

One week, the glass is half full, the next week, it is half empty. Investor's lack of conviction was on full display last week as a scandal at Hewlett Packard, a change of heart from the Fed, a revenue miss from tech bellwether Cisco Systems, and an unexpected rise in weekly jobless claims led to a decline in global stock markets.

A press release from the Federal Open Market Committee slightly changed its economic outlook by saying, "The pace of economic recovery is likely to be more modest in the near term than had been anticipated." There were a number of things the Fed announced to 'goose' the economy, but the bottom line is the Fed will not be shrinking its balance sheet anytime soon.

Whether this move is good or bad for the economy is subject to debate. One camp says keeping interest rates low will be good for the economy, while another camp says it will be bad for the economy, at least at this stage of the economic recovery.

| Data as of 8/13/10 | 1-Week | Y-T-D | 1-Year | 3-Year | 5-Year | 10-Year |
|---|--------|-------|--------|--------|--------|---------|
| Standard & Poor's 500 (Domestic Stocks) | -3.8% | -3.2% | 7.5% | -9.4% | -2.6% | -3.2% |
| DJ Global ex US (Foreign Stocks) | -4.2% | -5.0% | 4.4% | -9.6% | 1.2% | 1.0% |
| 10-year Treasury Note (Yield Only) | 2.7% | N/A | 3.6% | 4.8% | 4.3% | 5.8% |
| Gold (per ounce) | 0.5% | 10.0% | 27.3% | 22.0% | 22.3% | 16.0% |
| DJ-UBS Commodity Index | -1.9% | -4.6% | 1.4% | -7.6% | -4.2% | 2.5% |
| DJ Equity All REIT TR Index | -3.8% | 12.5% | 33.2% | -4.9% | 1.3% | 10.0% |

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.

The Economy⁷

There were cheers this week with the sharp rise of the CPI (Consumer Price Index) caused mainly due to rising energy prices. Economists have been more concerned with deflation rather than the more typical concerns with inflation. Although many interpreted this as a good sign, other data confirmed that we are on a slow pace of recovery.

With record low interest rates, there have been record amounts of high yield (junk) bonds issued – almost as much so far this year as all of 2009 (\$155 billion compared to \$163.6 billion last year). High yield bonds have ratings less than BBB. With interest rates close to historic lows, investors are reaching for yield wherever they can.

The government has now posted 19 consecutive monthly budget deficits, the longest string of shortfalls on record. The U.S. deficit this year is projected to be \$1.5 trillion on top of the \$1.4 trillion last year.

Additional Thoughts⁸

"Opportunities are usually disguised as hard work, so most people don't recognize them."~
Ann Landers

"If at first you don't succeed; you are running about average."~
M. H. Alderson

"To get all there is out of living, we must employ our time wisely, never being in too much of a hurry to stop and sip life, but never losing our sense of the enormous value of a minute." --
Robert Updegraff

Best regards,

The Planning Group Investment Team

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* You cannot invest directly in an index. 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.

⁶ The source for the information for *The Overview* was derived from Peak's *Weekly Commentary* 8/9/10

⁷ The source for the information for *The Economy* and *Tidbit* was derived from Bob LeClair's *Finance & Markets Newsletter* 7/31/10

⁸ Information for *Additional Thoughts* was derived from *The Virtual Advisor* 7/31/10.

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

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