THE PLANNING GROUP

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Weekly Commentary Report
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Big Picture[10]

The European debt crisis and the continuing deterioration of the banking sector have triggered the sharp selloff taking place in the European markets and triggered a negative tone across the planet.

The markets remain in a very risky environment and the market's volatility is likely to continue for several more months. The aggressive selling that began on Thursday and extended in the Friday erased all the gains from earlier in the week, leaving the market just slightly lower than where it began the week. The financial sector was down 2.4% on Thursday and down another 4% on Friday.

The consumer confidence index had its worst report since April 2009.

The Markets[6]

Two four-letter words -- "debt" and "jobs" -- are hanging over the economy like a noose that keeps tightening.

This is not news; we've known for several years that debt is too high and jobs too scarce. Unfortunately, they've become intractable problems with no solution in sight.

Last week, the government reported the U.S. economy had a net gain of zero new jobs in August. On top of that, the unemployment rate remained stuck at a disappointingly high 9.1 percent and the number of unemployed people rose to 14 million -- including more than 6 million workers who have been out of work for 27 weeks or longer, according to *MarketWatch*.

With jobs hard to come by, consumer confidence is suffering. The Conference Board reported its consumer-confidence index for August fell to the lowest level since April 2009, according to *MarketWatch*.

The weak economy and uncertain outlook have led to a dramatic decline in interest rates. The yield on the 10-year Treasury dropped to 2.0 percent last week and the 30-year Treasury yielded just 3.3 percent, according to *Bloomberg*. This decline in longer-term interest rates is, "a sign of heightened fears about a recession in the U.S. and more actions from the Fed," according to *The Wall Street Journal*.

When you put the pieces of the economic puzzle together, it starts to paint a picture that a new recession may be looming. While we're not in the business of making projections like that, we do monitor the economy and, right now, it's sending unsettling signals.

Whether a new recession is coming or not, we continue to do our job of helping you reach your financial goals regardless of what the market and economy may put in our way.

Data as of 9/2/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.2%	-6.7%	6.3%	-2.8%	-2.2%	0.4%
DJ Global ex US (Foreign Stocks)	2.9%	-9.9%	3.1%	-2.6%	-2.0%	5.0%
10-year Treasury Note (Yield Only)	2.0%	N/A	2.6%	3.8%	4.8%	5.0%
Gold (per ounce)	4.9%	33.0%	50.2%	32.9%	24.5%	21.2%
DJ-UBS Commodity Index	0.9%	0.1%	21.7%	-4.0%	-1.0%	4.8%
DJ Equity All REIT TR Index	0.5%	0.6%	7.9%	0.0%	-0.5%	9.6%

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.

Additional Thoughts On The Economy [7&9]

From the *Wall Street Journal*, "talks over new bailout funds for Greece were suspended Friday amid disagreements over how to fill a government-deficit gap that once again is veering off-track. The suspension pushed yields on Greek government debt to levels indicating that default is a near certainty: interest rates on one-year paper blew out past 70% and two-year yields rose close to 50%."

Reuters confirms Germany is likely to look for ways to not be the lender of last resort. If Germany actively wavers in their support, it's likely over.

Bloomberg reported smart money remains bearish. Hedge funds and other large speculators hold the highest number of future contracts since September 2007, betting that the S&P 500 will decrease in value.

The U.S. employment report on Friday was terrible, no matter how you care to slice it. Ned Davis research shows the true picture of unemployment is closer to 12.8% - with almost 13 out of every hundred people capable of working, don't have a job, and one could argue are receiving some sort of assistance from either the government or their family. These numbers do not include those who are under employed.

When you factor in those who are retired, unemployed, employed by the government, or are children - the statistics show that 140 people are responsible for 313 people (the 140 themselves plus 173 others). And of course we shouldn't forget the help we provide for some of the rest of the world's population.

The financial sectors, in particular banks, have been having a pretty rough time so far this year. It should be interesting how the lawsuits play out filed by Freddie Mac and Fannie Mae who lost over $196 billion of mortgage-backed securities they purchased, not to mention all the other similar lawsuits filed recently. I wonder if Warren Buffett might be getting a little more anxious about his $5 billion investment and Bank of America.

As pointed out in this weekend's report from Day Hagan, “force-feeding liquidity back into the system without corresponding increases in demand, does not work. Unemployment, uncertainty, and unchecked politicians are dampening consumers’ and corporations’ willingness to take economic risks, i.e. expanding are starting businesses.”

“Yes - valuations are becoming more compelling, but experience has time and again proven that valuations don't matter when economic activity is in a declining/contraction phase. Furthermore, it is highly probable that earnings estimates are in a ‘revised -- down cycle’ – another period that has historically proven to be a head wind for equities.”

The vast majority of our portfolios are in cash, and for the moment, we are comfortable with that fact.

Chuckle For The Day

If con is the opposite of pro - is Congress the opposite of progress.

Additional Thoughts[8]

"We all have ability. The difference is how we use it." ~ *Stevie Wonder*

"Logic will get you from A to B. Imagination will take you everywhere." ~ *Albert Einstein*

"Time = Life, Therefore, waste your time and waste of your life, or master your time and master your life." ~ *Alan Lakein*

"The best thing to give to your enemy is forgiveness; to an opponent, tolerance; to a friend, your heart; to your child, a good example; to a father, deference; to your mother, conduct that will make her proud of you; to yourself, respect; to all men, charity." ~ *Benjamin Franklin*

Weekly Focus – Remembering 9/11[6]

“Time is passing. Yet, for the United States of America, there will be no forgetting September the 11th. We will remember every rescuer who died in honor. We will remember every family that lives in grief. We will remember the fire and ash, the last phone calls, the funerals of the children.” ~ *President George W. Bush*

Best regards,

Reid Johnson and the 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 was derived from Peak's *Weekly Commentary 9/6/11* edition.
[7] The source for the information was derived from Bob LeClair's *Finance & Markets Newsletter 9/5/11*
[8] Information derived from *The Virtual Advisor 9/4//11.*
[9] Information derived from *The Kipplinger Letter 9/2/11* edition*.*
[10] Information derived from John Mauldin as noted in this weekend's *FrontLine Thoughts.*
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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