



## RETIREMENT FINANCIAL SERVICES, INC.

WEALTH MANAGEMENT AND RETIREMENT SOLUTIONS EXPERTS

### Weekly Commentary May 11, 2009

#### The Markets

Would you agree that the stock market has been volatile in the last six months?

As you may have guessed, that's a bit of a trick question. Most people would say that, yes, the stock market has been very volatile since early November 2008. For example, just from November 7, 2008 to November 20, 2008, the S&P 500 index dropped 19%. It then rallied 24% by January 6, 2009. But, that was just a tease. Between January 6 and March 9, the S&P 500 index dropped a frightful 28%. And, just when people thought the financial system was coming to an end, the index turned around and proceeded to rise a whopping 37% from the March 9 low to last Friday, according to Yahoo! Finance.

It's enough to make your head spin.

But, let's assume for a moment that you went into hibernation for the past six months and slept right through this volatility. Would you wake up happy or sad about your portfolio? Well, if your portfolio performed similar to the S&P 500 index, then you'd wake up essentially the same as you went to bed, meaning, there was no net change in your portfolio. Surprisingly, from November 7, 2008 to May 8, 2009, the S&P 500 index moved less than 1%. That's right, after netting the 19% drop, the 24% gain, the 28% drop, and the 37% gain, the index is essentially flat.

One of the keys to being a successful investor is to get neither too depressed when the market is down nor too euphoric when the market is up. Checking your portfolio on a daily basis can lead to a daily dizzy spell while checking it on a less frequent basis may help keep you on an even keel.

Our job is to monitor your portfolio on a regular basis and do the worrying for you so you can "hibernate" from the market and take that extra time to enjoy life.

Data as of 5/8/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	5.9%	2.9%	-33.1%	-11.1%	-3.1%	-3.6%
DJ Global ex US (Foreign Stocks)	7.5	8.8	-40.8	-12.2	2.7	0.2
10-year Treasury Note (Yield Only)	3.3	N/A	3.8	5.1	4.8	5.5
Gold (per ounce)	2.5	4.3	3.4	10.3	18.2	12.6
DJ/AIG Commodity Index	5.9	3.1	-43.6	-12.1	-4.0	3.8
DJ Equity All REIT TR Index	9.6	-5.9	-45.2	-15.7	1.4	N/A

Notes: S&P 500, DJ Global ex US, Gold, DJ/AIG 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](http://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 available.

**WHICH LETTER OF THE ALPHABET** will our economic recovery most resemble? Will it look like a V, U, L, or W? Let's look at each scenario.

A V-shaped recovery would suggest a sharp drop followed by a quick recovery. The July 1990 to March 1991 recession is an example of this.

A U-shaped recovery would suggest a drop followed by a slow but steady recovery. The July 1981 to November 1982 recession fits this description.

An L-shaped recovery would suggest a drop followed by a long period of subpar growth. Japan's experience since its 1989 stock market high is the poster child for this unfortunate predicament.

And then there's the W-shaped recovery. This occurs when you have back-to-back recessions. The U.S. experienced this in 1980 to 1982 when we had two recessions that were separated by just 12 months.

Veteran money manager Jeremy Grantham thinks we might be in for what he calls a "VL" recovery. He envisions a situation "in which the stimulus causes a fairly quick but superficial recovery, followed by a second decline, followed in turn by a long, drawn-out period of sub-normal growth as the basic underlying economic and financial problems are corrected."

The good news is that the collapse of the U.S. financial system, which seemed like a possibility (albeit a small one) a few months ago, now seems to be highly unlikely. The recent recovery of the banking stocks and the stock market as a whole suggests investors are no longer planning for a doomsday scenario. Now we have to wait and see which "letter of the alphabet" recovery unfolds and what that means for the financial markets.

## **Weekly Focus – Think About It**

"Light tomorrow with today."  
--Elizabeth Barrett Browning

Best regards,

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- \* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.
- \* Gold represents the London afternoon gold price fix as reported by [www.usagold.com](http://www.usagold.com).
- \* The DJ/AIG 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 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.
- \* 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.
- \* Past performance does not guarantee future results.
- \* Consult your financial professional before making any investment decision.