



RETIREMENT FINANCIAL SERVICES, INC.
WEALTH MANAGEMENT AND RETIREMENT SOLUTIONS EXPERTS

Weekly Commentary
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The Markets

One key to an economic recovery is a thawing of the credit freeze. Let's look at three indicators that suggest we're making some progress in this area.

- First, the LIBOR is coming down. LIBOR stands for London InterBank Offered Rate and it is the interest rate that banks charge to borrow from each other. A high rate indicates banks are nervous about getting repaid while a low rate suggests banks are confident they'll get repaid. The 3-month LIBOR peaked at 4.82% on October 10, 2008 in the throes of the credit crisis. Last Friday, it closed at 0.66%, according to Bloomberg. This dramatic drop is a good sign that banks no longer fear a collapse of the international banking system.
- Second, the 3-month TED Spread is coming down, too. This is the difference between 3-month LIBOR and the 3-month Treasury bill rate. A large spread suggests investors are concerned about default risk while a small spread suggests investors are less concerned. The TED Spread peaked at 4.65% on October 10, 2008 and closed last Friday at 0.48%, according to CNBC.
- Third, junk bond yields have come down significantly in recent months. The Merrill Lynch High Yield Constrained index, which limits individual issuer concentration to 2%, yielded 14.4% last Friday, according to *The Wall Street Journal*. While that is still high, it's a big decline from its peak yield of 22.5% in the past 12 months.

Other areas of the credit market, such as consumer credit, business credit, and the mortgage market, have shown improvement, but they are still a bit tight. Overall, credit is flowing and interest rates are generally low, so the credit environment is constructive, but there is still room for improvement.

Data as of 5/22/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.5%	-1.8%	-35.5%	-11.1%	-4.1%	-3.8%
DJ Global ex US (Foreign Stocks)	4.4	11.7	-39.9	-8.3	2.7	0.7
10-year Treasury Note (Yield Only)	3.5	N/A	3.9	5.0	4.7	5.5
Gold (per ounce)	3.3	10.3	4.0	13.7	20.1	13.4
DJ/AIG Commodity Index	2.5	2.9	-44.6	-11.8	-4.5	4.3
DJ Equity All REIT TR Index	3.1	-14.7	-49.9	-16.9	-1.7	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, 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.

“Wall Street never changes, the pockets change, the suckers change, the stocks change, but Wall Street never changes, because human nature never changes.” --Jesse Livermore

Jesse Livermore is a famous early 20th century trader and speculator who was immortalized in the 1923 book, *Reminiscences of a Stock Operator* by Edwin Lefevre. Many of today’s top traders consider Livermore one of the greatest traders and speculators who ever lived. Now, we’re not mentioning Livermore because we think aggressively trading and speculating in your account is the way to go. Instead, we want to highlight the above quote from Livermore and discuss its relevance to today.

“Wall Street never changes.” From the standpoint that Wall Street is all about making money, that statement is true. It was as true in “The Roaring 20s” during Livermore’s lifetime as it was during the internet bubble of the late 1990s.

“The pockets change, the suckers change, the stocks change.” Wow, that statement is spot on. Wall Street continues to come out with new products that they think the public will buy even if they make little economic sense. Do you remember all those shaky limited partnerships from the 1980s? How about the dot-com IPOs of companies that had little revenue and no profits? And more recently, we had newfangled mortgages that let you buy a house with no money down or skip payments or just pay the interest only, among other options.

“But Wall Street never changes, because human nature never changes.” This is the key quote. In particular, as humans, our emotions have a tendency to get the best of us. In good times, we tend to get greedy and make decisions that under normal circumstances would be too risky for us. In scary times, we tend to panic and “get out at all costs.” We like to keep up with our neighbors so we behave in a herd-like fashion. We extrapolate the most recent trends and expect that they will continue indefinitely. All these tendencies have the ability to work against us and preclude us from reaching financial security.

The “smart” people on Wall Street understand our human frailties and, unfortunately, some of them use it to their advantage. As your advisor, we are also your advocate. We do our best to understand how markets work and, equally important, how human behavior works. Our advice may sometimes go against popular opinion because as history shows, what’s popular may not always be what’s best for you. Our advice won’t always be right, but it will always be given with integrity and with your best interests in mind.

Weekly Focus – Memorial Day

To the men and women who serve our country and help protect us from danger – thank you. And for those who have given their life in the name of our country, we will never forget the great sacrifice you have made on our behalf.

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.

* 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.