



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

Weekly Commentary
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The Markets

Are the green shoots getting nipped by a late frost?

When Fed Chairman Ben Bernanke uttered the phrase “green shoots” back on March 15, 2009, in a 60 Minutes interview to describe improvements he saw in the functioning of the financial markets, investors and pundits alike started to feel better about the future of the economy. This confidence may have partially accounted for the 40% jump in the S&P 500 index between the March 9 low and the recent June 12 high.

Since that June high, the S&P 500 has dropped 7%, perhaps on concerns that the initial signs of spring are dissipating.

One of the most discouraging pieces of economic news was the July 2 release of the June payroll report. It showed a decline of 467,000 jobs in June versus an expectation for a loss of 325,000, according to MarketWatch. This was a significant increase from the 322,000 jobs lost in May and suggested that a consumer-led recovery may be further in the future than previously thought. In addition, last week’s release of the University of Michigan/Reuters consumer sentiment report showed consumers were much gloomier in early July compared to June which does not bode well for consumer spending.

Of course, a couple random economic statistics cannot tell you whether the stock market will go up or down and it’s possible that the recent decline in the market is simply due to a normal pullback and consolidation from a steep rise. What we can say with some confidence is that the economic recovery will likely be inconsistent. One day we may receive data that says the economy looks great, the next day another report might show just the opposite.

This tug-of-war between conflicting data will test the patience of investors and we will do our best to pass that test with an A+.

Data as of 7/10/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.9%	-2.7%	-29.1%	-11.5%	-4.6%	-4.5%
DJ Global ex US (Foreign Stocks)	-3.5	8.9	-32.5	-9.5	1.1	0.0
10-year Treasury Note (Yield Only)	3.3	N/A	3.8	5.1	4.4	5.7
Gold (per ounce)	-2.1	5.0	-2.8	13.4	17.6	13.6
DJ-UBS Commodity Index	-5.8	-2.8	-50.4	-13.3	-4.8	3.4
DJ Equity All REIT TR Index	-3.7	-19.0	-46.1	-20.6	-4.6	N/A

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 available.

HOW WILL WE KNOW when the market hits rock bottom and starts a new secular bull market? This is one of those questions where if we knew the exact answer we could probably make a fortune. Unfortunately, we cannot pinpoint the bottom of a bear market in real time, but according to money manager John Hussman (www.hussmanfunds.com), there's an anecdotal measure that might help us narrow the timeframe.

In his June 29 commentary, Hussman discussed the concept of “assumed permanence of unusual conditions” to help describe both major market peaks and major market lows. He referenced the 2000 technology peak, the recent housing peak, the 2007 stock market peak and the 2008 oil peak as examples of investors believing in the “assumed permanence of unusual conditions” to justify such high prices. We now know that those “unusual conditions” were anything but permanent.

Conversely, he said the same sentiment applied back in early 1982 to help justify why the stock market was dead and would continue to be dead for years. Of course, in August 1982, the stock market took off on an 18-year bull run.

What we're really talking about here is that at certain times, investors might become so euphoric or so despondent that they believe the current trend will last for many years. Today, investors are understandably concerned about the financial markets. We've been in a down cycle since October 2007 and there's plenty of anxiety about how much longer it will last. But, have we reached the point where many investors take it as a given that these unusual economic and market conditions will be permanent?

Hussman suggests that when or if we reach this point of “assumed permanence of unusual conditions,” then that might be the time when we create a floor from which a new long-term bull can begin. It's a great theory, but we have no empirical way of measuring when we hit this point. Despite the inability to measure it, we will keep our eyes open to try to spot it and profit from it.

Weekly Focus – Think About It

“You are on the road to success if you realize that failure is only a detour.”

Best regards,

Dave Shepherd, ChFC, CFP®
President/Financial Advisor

David W. Shepherd, Jr., CFP®
Financial Advisor

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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.