



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

Weekly Commentary
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The Markets

“It’s déjà vu all over again.” --*Yogi Berra*

Let’s look back for a moment on a few flameouts from the late 1990s tech stock craze:

- The Internet community site theglobe.com set a record in November 1998 with an initial public offering (IPO) that soared 606% on its first day of trading. Despite that strong debut, it was delisted from the NASDAQ in April 2001 and today is a shell company with no significant assets or revenue.
- Pets.com (remember the “Sock Puppet?”) appeared in a Super Bowl commercial in 2000 and received \$300 million in funding. It went public in February 2000 and was bankrupt just nine months later.
- The online toy seller eToys went public in 1999 and rose 280% on its first day. At its peak, the company was valued at more than \$8 billion. It went bankrupt in March 2001.

Source: *Investor’s Business Daily*

Last week, we witnessed a late 1990s “déjà vu moment” with the IPO of LinkedIn, one of a new crop of social-media companies like Facebook, Groupon, and Twitter that are generating excitement among the investing public, according to MarketWatch and *Barron’s*. LinkedIn soared more than 100% on its opening day and finished the week with a market value of \$8.8 billion, according to Bloomberg. Not bad for a company, “that doesn’t expect to be profitable this year, as it ‘invests for future growth,’” according to *Barron’s*.

While it may be fun to marvel at the explosive debut of LinkedIn, we are not yet close to the heady days of 1999 when 308 technology companies went public, according to *The New York Times*. By comparison, in 2010, only 20 technology companies went public.

One of the keys to success as an investor is to pay attention and learn from the past. The stock market was “irrationally exuberant” in 1999 as evidenced by its subsequent collapse over the next three years. Is the euphoria over LinkedIn an early sign of the next “irrationally exuberant” market?

We’re not suggesting that you should buy or sell LinkedIn or “party like it’s 1999.” Rather, we want you to be aware that we are paying attention to the “mood of the market” and that we plan on keeping our wits about us even if others start losing theirs.

Data as of 5/20/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.3%	6.0%	22.6%	-1.9%	1.1%	0.2%
DJ Global ex US (Foreign Stocks)	-0.8	1.5	27.4	-5.7	1.6	4.7
10-year Treasury Note (Yield Only)	3.2	N/A	3.3	3.8	5.0	5.4
Gold (per ounce)	-1.0	5.7	25.1	17.7	18.0	17.7
DJ-UBS Commodity Index	1.6	0.0	32.0	-9.2	-1.6	3.9
DJ Equity All REIT TR Index	0.2	10.0	33.8	1.0	4.0	11.4

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 UNITED STATES IS LIVING ON BORROWED TIME and in debt to the tune of \$14.3 trillion, according to *The Wall Street Journal*. Last week, the Treasury hit its Congressionally-authorized debt limit and was in danger of not being able to pay its existing bills. However, thanks to some “extraordinary measures” by the Treasury Department, we won’t actually run out of money until early August.

Not to fear, though, Congress has raised the debt limit 51 times since 1978 and most people expect them to do it again, albeit with a dogfight between the Democrats and Republicans, according to *The Wall Street Journal*.

Policymakers and economists have worried about our deficits since at least the 1980s when the “twin deficits” of the federal budget and the current account grabbed national attention, according to the Institute for International Economics. Yet, since then, our deficits have soared and Congress has kept raising the debt limit.

What happens if the government gets so in debt that nobody will lend to it and we end up defaulting? According to a May 2 letter sent to Congress by Treasury Secretary Timothy Geithner, “Default by the United States on its obligations would have a catastrophic economic impact that would be felt by every American.” He went on to say, “A default on the Nation’s legal obligations would lead to sharply higher interest rates and borrowing costs, declining home values, and reduced retirement savings for Americans. Default would cause a financial crisis potentially more severe than the crisis from which we are only now starting to recover.”

Clearly, our deficit situation is serious.

Are we finally at a point where lawmakers say, “enough is enough” and they get serious about reducing our deficit?

Well, we have the summer to find out. Stay tuned...

Weekly Focus – Think About It

“Neither a borrower, nor a lender be; for loan oft loses both itself and friend, and borrowing dulls the edge of husbandry.” --*William Shakespeare*

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.

* 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.

* 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.

* You cannot invest directly in an index.

* Consult your financial professional before making any investment decision.