

Weekly Commentary March 28, 2011

The Markets

After last week's rally, the U.S. stock market is now higher than it was before the triple tragedy in Japan, according to Bloomberg.

It's really quite remarkable how quickly the stock market shrugged off the problems in Japan, the unrest in the Middle East and North Africa, the rising price of oil and other commodities, and the continuing sovereign debt problems in Europe. What's helping the market stay firm? Once again, it looks like strength in corporate earnings.

Bloomberg noted that higher-than-estimated profit forecasts helped drive stock prices higher last week. Sean Kraus, the chief investment officer at Citizens Business Bank in Pasadena, California was quoted in Bloomberg as saying this (last) week's earnings reports were "very, very positive, and a lot of the commentary coming out of the companies was also positive."

In addition to the positive earnings, some of the fear in the market is going away. The CBOE Volatility Index, widely considered the best gauge of fear in the market, fell below 18 last week, according to CNBC. That's a decline of 39.1% in just the past seven days.

So, there are a number of positives supporting the market right now. Will things turn soft once the Federal Reserve starts pulling the plug on its support programs like QE2? Possibly, but either way, we'll do our best to help you profit.

Data as of 3/25/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.7%	4.5%	12.6%	-1.0%	0.2%	1.3%
DJ Global ex US (Foreign Stocks)	3.5	1.6	12.1	-3.0	1.3	5.2
10-year Treasury Note (Yield Only)	3.4	N/A	3.9	3.5	4.7	4.9
Gold (per ounce)	1.1	1.8	31.4	15.7	17.0	18.5
DJ-UBS Commodity Index	2.4	3.9	30.0	-6.0	0.7	4.5
DJ Equity All REIT TR Index	0.6	4.1	19.1	0.4	1.6	11.3

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.

WHAT ARE THE SECRET FEARS OF THE SUPER RICH? Since 1970, Boston College's Center on Wealth and Philanthropy has been publishing various studies of the wealthy. The Center's recent study titled, "The Joys and Dilemmas of Wealth," asked the super rich to "write freely about how prosperity has shaped their lives and those of their children." The average net worth of the roughly 165 households who responded to the survey was \$78 million. Here are some highlights of the survey as published in an article by Graeme Wood in the April 2011 issue of *The Atlantic*.

- “The survey responses make a compelling case that being fantastically wealthy -- especially when the wealth is inherited rather than earned -- is not a great deal more fulfilling than being merely prosperous. Among other woes, the survey respondents report feeling that they have lost the right to complain about anything, for fear of sounding -- or being -- ungrateful. Those with children worry that their children will become trust-fund brats if their inheritances are too large -- or will be forever resentful if those inheritances (or parts of them) are instead bequeathed to charity. The respondents also confide that they feel their outside relationships have been altered by, and have in some cases become contingent on, their wealth.”
- According to Robert A. Kenny, one of the survey’s architects, “Sometimes I think that the only people in this country who worry more about money than the poor are the very wealthy. They worry about losing it, they worry about how it’s invested, they worry about the effect it’s going to have. And, as the zeroes increase, the dilemmas get bigger.”
- “But the overwhelming concern of the super-rich -- mentioned by nearly every parent who participated in the survey -- is their children. Many express relief that their kids’ education was assured, but are concerned that money might rob them of ambition.”
- The survey’s authors said that, “Eventually most wealthy people discover the satisfactions of philanthropy.”
- “If anything, the rich stare into the abyss a bit more starkly than the rest of us. *We* can always indulge in the thought that a little more money would make our lives happier -- and in many cases it’s true. But the truly wealthy know that appetites for material indulgence are rarely sated. No yacht is so super, nor any wine so expensive, that it can soothe the soul or guarantee one’s children won’t grow up to be creeps.”

The survey results support the idea that money (at least extreme money) can’t buy happiness. Apparently, while extreme wealth can solve some problems that many other people struggle with (like paying the bills), it trades them for a new set of problems that the less well off don’t have to worry about.

Weekly Focus – Think About It

“Having only riches enough to be able to gratify reasonable desires, and yet make their gratifications always a novelty and a pleasure, the family occupied that just mean in life which is so rarely attained, and still more rarely enjoyed without discontent.”

--The Gilded Age, Mark Twain and Charles Dudley Warner

* 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.

* 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 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.

* The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

* 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.

* Consult your financial professional before making any investment decision.

* You cannot invest directly in an index.

* Past performance does not guarantee future results.

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