

Weekly Commentary April 11, 2011

The Markets

The dollar is becoming a pariah and weakening against nearly all global currencies because our relatively slow economic recovery means the Federal Reserve is unlikely to raise interest rates in coming months, according to *The Wall Street Journal*. Low interest rates tend to make a country's currency less attractive and that causes investors to move capital to other countries that offer higher interest rates on deposited money.

Backing up the idea that the U.S. is slow in raising rates, *The Wall Street Journal* quoted a RBC Capital Markets report which said, "So far this year, central banks in at least 18 developing economies have raised interest rates." Our Federal Reserve is not one of them.

A weak currency is not all bad. It helps our large multi-national companies because it makes their exports more competitive. That's one reason why corporate earnings have been so strong in recent quarters.

The Federal Reserve is walking a fine line here between keeping rates low to help the economy and keeping them low for so long that it ignites runaway inflation. Surging commodity prices and the weak dollar may indicate the Fed is overstaying its low interest rate welcome.

Data as of 4/8/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.3%	5.6%	11.2%	-0.9%	0.5%	1.6%
DJ Global ex US (Foreign Stocks)	1.8	4.9	13.0	-3.2	1.4	5.7
10-year Treasury Note (Yield Only)	3.6	N/A	3.9	3.6	5.0	4.9
Gold (per ounce)	3.6	4.2	28.0	17.1	19.7	19.0
DJ-UBS Commodity Index	2.3	7.1	29.8	-5.5	0.5	4.9
DJ Equity All REIT TR Index	-2.0	4.9	18.6	0.5	2.3	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 PERIODIC TABLE CONTAINS 118 CHEMICAL ELEMENTS YET GOLD ALONE has withstood the test of time and been considered a form of money for thousands of years. Why gold and not some other element?

NPR asked Sanat Kumar, a chemical engineer at Columbia University, to go through the periodic table and figure out what was so special about gold that made it a form of money for several millennia. He used the following process of elimination to show why no other chemical element could have been a good substitute for gold as a form of money.

First, he eliminated all the gaseous elements since it would be difficult to exchange a gas for groceries.

Second, he eliminated all the elements that are reactive, meaning they either spontaneously combust when exposed to air (gives new meaning to the phrase “money to burn!”), corrode, or simply fall apart.

Third, he dropped the elements that are radioactive since we want to live to enjoy our money.

Fourth, he said you want the element to be rare -- but not too rare -- so that knocked a few more off the list.

That winnowing process left Kumar with just five elements to consider as money: rhodium, palladium, silver, platinum, and gold. Not surprisingly, all five are considered precious metals. While silver has been used as money, it's not the best choice because it tarnishes, so Kumar dropped it. Rhodium and palladium were scratched because they weren't discovered until the early 1800s.

We're now down to gold and platinum. The rub on platinum is that its melting point is over 3,000 degrees Fahrenheit, so ancient civilizations had no way to melt it and shape it into coins. Gold melts at a much lower temperature and was easier to mold. And that, folks, is one explanation why gold became “precious” and has been considered a “store of value” for thousands of years.

Weekly Focus – Think About It

“The desire of gold is not for gold. It is for the means of freedom and benefit.”

--Ralph Waldo Emerson

- * 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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