

Weekly Commentary May 9, 2011

The Markets

We know the law of gravity applies to the natural world and last week we were reminded that it also applies to the “artificial” world we call Wall Street.

While stock prices fell a bit on mixed economic data, gravity’s biggest effect was reserved for commodities such as oil and silver. Consider these moves.

- The price of a barrel of U.S. light crude oil fell 14.7%—the largest one-week decline since it started trading in 1983, according to CNBC.
- Silver prices fell an eye-popping 27% last week and that comes after hitting a 31-year *high* the week before, according to Barron’s. Talk about fickle investors!
- Commodities in general fell as the Thomson Reuters/Jefferies CRB Index of raw materials sank 9 percent, the biggest weekly decline since December 2008, according to Bloomberg.

Note: Past performance is no guarantee of future results and the fast price swings of commodities will result in significant volatility in an investor's holdings.

These large, short-term price moves help illustrate the difference between investing and speculating. For example, it’s seems unlikely that the “fundamentals” of silver changed so drastically in one week that the price would hit a 31-year high one day and then plunge 27% over the next week. Blame that on the speculators who were trying to milk a profit from silver’s speedy rise this year but then exited en masse when “gravity” took over.

To modify a metaphor attributed to Wayne Gretzky, investors invest based on where they expect the opportunities to arise over time, while speculators speculate based on what is happening in the moment. In other words, investors are in for the long-haul while speculators are in for the quick pop.

Not surprisingly, we consider ourselves investors who invest over the long-haul on your behalf.

Data as of 5/6/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.7%	6.6%	20.6%	-1.9%	0.2%	0.6%
DJ Global ex US (Foreign Stocks)	-2.6	4.3	22.9	-4.4	0.1	4.9
10-year Treasury Note (Yield Only)	3.2	N/A	3.4	3.9	5.1	5.2
Gold (per ounce)	-4.5	5.4	25.4	19.1	17.1	18.8
DJ-UBS Commodity Index	-9.1	-1.8	24.3	-9.2	-2.2	4.0
DJ Equity All REIT TR Index	-2.3	9.6	24.7	0.6	2.7	11.6

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.

LIKE AM RADIO, SUCCESSFUL INVESTORS FIND A WAY TO ADAPT to the changing times. The world changes quickly and investors who stay stuck in their old paradigm get left behind. Here's how AM radio stayed relevant for decades despite changing technology around them.

- The Golden Age of Radio from the 1920s through the 1950s gave way to the rise of TVs in the 1960s. Rather than die a slow death, AM radio reinvented itself by becoming the media of choice for the up-and-coming era of rock-n-roll. That extended AM radio's shelf life for about another 10 – 20 years.
- By the mid 1970s, AM radio hit another technology inflection point as FM radio, with its clearer sound quality, became the frequency of choice for music aficionados. Undaunted, AM radio stations got a new lease on life by ditching music and embracing talk radio.
- Today, satellite radio, smart phones, the internet, and iPods all pose potential problems for the AM radio business. Rather than fold, AM stations are adapting again by streaming their sound over some of these new technologies and charging advertising or subscription fees.

Likewise, as financial advisors, we survey the landscape and realize, “we’re not in Kansas anymore.” Times have changed since we first entered the business and so has the way we serve our clients. Rather than rest on the past, we build on it.

Our commitment to you is we will continue to build on the best of the past and adapt to the new so we can serve you in ever improving ways.

Weekly Focus – Happy Mother’s Day!

“Mother love is the fuel that enables a normal human being to do the impossible.”
--Marion C. Garretty

* 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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