

## Weekly Commentary October 10, 2011

### The Markets

Sometimes a little spark is all you need.

At one point last Tuesday, October 4, the S&P 500 index dropped below 1,091, which represented a 20 percent decline from the April 29 closing high, according to MarketWatch. That's a key number because many investors consider a 20 percent decline to signify a bear market. But, lo and behold, just when it looked like the market might go from bad to worse, the *Financial Times* (FT) published a story that hit the internet that afternoon and the U.S. stock market staged a massive positive reversal.

The FT story said, "European Union finance ministers are examining ways of coordinating recapitalizations of financial institutions after they agreed that additional measures were urgently needed to shore up the region's banks."

That story prompted a huge 3.7 percent rally in the S&P 500 index in the last hour of trading on Tuesday, according to Bespoke Investment Group. Interestingly, the reversal propelled the index well above the key 1,091 level and prevented us from starting a new bear market in the U.S.

The key point about the late day reversal on October 4 is not so much that it saved us from printing a new bear market – although that's good! Rather, the amazing thing is the key reversal was prompted by mere "talk" of another plan to help save the euro-zone from sovereign debt abyss.

Last week's market action reinforced the notion that macro issues like the sovereign debt problem – rather than company-specific news – are still a significant driver of the overall stock market.

Until the macro issues get resolved, we should be prepared for major market moves – both up and down – based on the latest headlines.

Data as of 10/7/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.2%	-8.1%	-0.9%	5.1%	-3.1%	0.8%
DJ Global ex US (Foreign Stocks)	1.2	-17.7	-14.2	3.1	-3.5	4.8
10-year Treasury Note (Yield Only)	2.1	N/A	2.4	3.5	4.7	4.5
Gold (per ounce)	2.0	17.1	22.8	23.5	23.5	18.9
DJ-UBS Commodity Index	1.1	-12.7	1.4	-2.3	-2.7	4.2
DJ Equity All REIT TR Index	-1.8	-8.3	-4.0	5.9	-3.3	9.1

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.

## THREE KEY IDEAS FROM STEVE JOBS

**With the passing of Steve Jobs, we wanted to share three of his ideas that you may find helpful.**

Steve Jobs' business career is remarkable by any standard. His ability to go from boy wonder co-founder of Apple Computer, to Chairman and CEO of Pixar, to the largest individual shareholder of The Walt Disney Company, to ousted executive who returned to save Apple and turn it into a seemingly unbeatable brand, is simply amazing. While he made plenty of mistakes in his youth, he matured into a very successful businessman with some insightful thoughts on success. Here are three of his ideas worth sharing:

### **“Connect the dots.”**

Over time, all of us have incredible life experiences – some positive, and some not. Regardless of the outcome, they ultimately shaped the person you are today. Everything that has happened to you in your past has the ability to positively affect you in the present – if you connect the dots.

At a 2005 Commencement address at Stanford University, Jobs told a story about how on a whim, he dropped in on a calligraphy class while attending Reed College back in the early 1970s. At the time, he found the class utterly fascinating, but totally useless. It wasn't until 10 years later, when he was designing the Macintosh computer, that he was able to connect the dots. The result: the Macintosh became the first computer with beautiful typography and it became a huge hit in the desktop publishing industry.

Think for a moment about some of your life experiences. What lessons have you learned? What stories can you create from these lessons that you can share with your family, friends, or business associates? Stories are one of the best ways to connect with people so consider connecting the dots of your life experiences and turn them into a meaningful message.

### **“Say no.”**

There is no shortage of opportunities in life. However, there is often a shortage of conviction. Rather than trying a little bit of everything and successfully completing nothing, Jobs did the opposite. He was an obsessive focuser on a small number of things that were truly important to him.

Apple sells essentially just four products: the Macintosh computer, the iPod, the iPhone, and the iPad. With just four main product lines, Jobs led Apple to the world's most valuable company with a \$350 billion market value, according to *The Wall Street Journal*. Despite the temptation, Jobs resisted the call to offer a multitude of lower-end products and milk the company's great brand. He said, “It's only by saying no that you can concentrate on the things that are really important.”

Ask yourself, what can you say “no” to in your personal or business life so you have room to say “yes” with complete conviction to something else that's more important?

## **“Quality, not quantity.”**

At Pixar, where Jobs built the firm from peanuts into a company that he sold to The Walt Disney Company for \$7.4 billion, there is no 80/20 rule. It’s more like the rule of 100—every effort gets 100 percent support. Accordingly, Pixar delivered an average of only one movie every 18 months; a weak pace by major movie studio standards. However, the result was anything but weak. Pixar has generated more than \$7.0 billion in worldwide box office receipts since 1995 – and they’ve had no bombs, according to The Numbers.

Like Pixar, life is not about quantity. It’s about quality. When you spend more time focusing on quality – such as in relationships – life satisfaction will multiply.

In a 2004 BusinessWeek interview, Jobs reflected on his personal growth that resulted from him successfully bouncing back from cancer. He said, “I realized that I loved my life. I really do. I’ve got the greatest family in the world, and I’ve got my work. I love my family, and I love running Apple, and I love Pixar. And I get to do that. I’m very lucky.”

By following these simple ideas – connecting the dots, saying no to the unimportant and focusing on quality, not quantity – you, too, can end up with a life you love. Do that and you’ll be one of the lucky few in this life who can look back at the end of their days and say with great conviction, “It was a life well lived.” RIP.

## **Weekly Focus – Think About It**

“I want to put a ding in the universe.” --*Steve Jobs*

- \* 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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