



*Market Commentary – May 11<sup>th</sup>, 2010*

The past few days' market activity has reminded many of the most volatile days of 2008. Indeed last Thursday, the Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) plunged nearly 1,000 points before quickly recovering to finish with a less dramatic 348-point loss on the day. Although unproven, our view is that trader error and technical glitches may have contributed to the precipitous fall; the exchanges and the SEC continue to investigate. As a counterpoint to last Thursday's decline, global stock markets spiked upward yesterday as the Dow Jones Industrial Average gained 404.71 points or 3.9%, its biggest single-day gain in more than a year.

Dramatic volatility in the financial markets is almost always triggered by some fundamental economic event – this time the culprit would appear to be the turmoil in Greece over its financial crisis and the unpopular austerity measures passed by its government as a precondition for bailout loans. Indeed, some fear the Greek situation could be contagious, possibly spreading to other weaker European economies such as Spain, Portugal and Italy. In response, last weekend the sixteen European Union (EU) member nations (including most importantly the German parliament) and the International Monetary Fund (IMF) took dramatic action, agreeing to create a nearly one trillion dollar (US) rescue package for troubled eurozone economies; this action was viewed as being largely responsible for Monday's spike in stocks.

Meanwhile, all of this volatility has largely overshadowed a brightening picture for the US economy. Last week we learned that U.S. non-farm payrolls climbed by 290,000 in April, far more than the 187,000 economists expected. Several other economic reports last week pointed to the continuation of a broad, if restrained, U.S. recovery. As an example, the Commerce Department reported that March new factory orders were up a robust 1.3% while most economists had expected a .1% decline.

Today, our market appears to have shrugged off overnight Asian, morning European and early domestic weakness. Clearly, at least in the near term, volatility has returned to the financial markets and we view this as validation of our approach to money management. Simply put, our highly diverse, equity-hedging management style allows us to reduce short-term volatility while still participating in the long-term benefits associated with stock ownership. And although past performance is no guarantee of future results, we believe that our sensible, steadfast approach should serve as a calming presence during these types of market swings.

If you have any questions about your portfolio or how this volatility affects you, do not hesitate to contact our office for clarification. On behalf of my colleagues Kay Feagles, CFP, Ray Jensen, Registered Principal, Mark Rojek, J.D., CPA, Financial Advisor, Chuck Evans, CLU, ChFC, Financial Advisor, and John Haas, Registered Principal, we remain committed to serving you, our clients.

Sincerely,

Randy McGill  
Branch Manager/Owner