



**Scannell Wealth Report
February 7, 2011**

The Markets

“Dr. Copper” has been making a bold statement.

Since copper is used in so many industrial applications and is economically sensitive, investors often refer to it as, “Dr. Copper.” This moniker playfully suggests that copper, “holds a Ph.D. in economics because of its ability to help predict economic trends,” according to MarketWatch.

How accurate of an indicator has “Dr. Copper” been the last few years? Let’s look at the data.

In July 2008, copper prices on the Nymex were riding high at about \$4.00 per pound. But, over the next five months, prices plunged more than 68% to about \$1.25 per pound by late December 2008, according to *The Wall Street Journal*. This plunge in copper prices preceded the bear market low in stocks, which was not reached until March 9, 2009, according to *BusinessWeek*. Score one for copper presaging the major market decline that occurred in late 2008 and early 2009.

From the low of about \$1.25 per pound in December 2008, copper prices then shot up to \$1.62 per pound on March 13, 2009, according to Reuters as reported by *The Australian*. Looking back, that 30% increase between late December 2008 and mid-March 2009 (when the stock market hit its low) nicely foreshadowed that the world was not coming to an end and that the economy might pull through. Score two for copper’s forecasting ability.

Last week, copper prices closed at an all-time high of \$4.58 per pound, according to *The Wall Street Journal*. So, from the low of about \$1.25 per pound in December 2008 to last week’s close, copper prices rose about 266%. By comparison, the S&P 500 rose about 94% from its March 2009 low to its close last week. Over this longer period, copper prices continued to rise -- as did the stock market -- so make that three checks for “Dr. Copper” and its forecasting ability.

History is nice to know, but what is copper telling us now about the future? Well, as we always say, past performance is no guarantee of future results. Given that caveat, copper’s all-time high price last week may suggest that the chances of a near-term economic collapse are rather small.

Data as of 2/4/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.71%	4.2%	23.0%	-1.7%	0.7%	-0.3%
DJ Global ex US (Foreign Stocks)	1.4	2.2	19.5	-3.8	1.9	3.9
10-year Treasury Note (Yield Only)	3.7	N/A	3.6	3.6	4.6	5.2
Gold (per ounce)	2.7	-3.9	25.1	14.9	18.9	17.7
DJ-UBS Commodity Index	1.7	1.0	27.8	-5.1	-0.8	3.8
DJ Equity All REIT TR Index	1.0	3.2	42.3	1.3	2.6	11.2

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.

WORLD FOOD PRICES HIT A RECORD HIGH in January as measured by the United Nation's Food and Agricultural Organization Index. This index measures world food prices using a worldwide basket of basic food supplies such as sugar, cereals, dairy, oils and fats, and meat.

The New York Times said prices rose "as a jittery market reacted to unpredictable weather and tight supplies." The *Times* also cited other reasons for the rise including higher demand, smaller yields, and crops diverted to biofuels. Some folks would also argue that governmental stimulus programs enacted by various countries have created a flood of "cheap" money that is finding its way into commodities and pushing up prices.

How could this rise in food prices affect you?

A sustained rise in food prices could have negative consequences. Obviously, if it continues, it could hit all of us in the pocketbook. But, globally speaking, it could hurt other countries worse. For example, CNN said, "Rising commodities costs are one of the major factors behind a growing wave of civil unrest across the Middle East and North Africa."

While we don't anticipate any riots or major protests in the U.S. regarding food prices, it's appropriate to monitor what's happening globally. As we all know, the world is so connected that riots in one part of the world could end up affecting us here.

Weekly Focus – Think About It

"Inflation is as violent as a mugger, as frightening as an armed robber, and as deadly as a hit man." --
Ronald Reagan

Best regards,

"Scannell Wealth Management Group"

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we'll ask for their permission to be added.

* 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 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.

* The Dow Jones World (Ex. U.S.) is an unmanaged group of securities considered to be representative of the non-U.S. stock market in general* 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. * The Dow Jones World (Ex. U.S.) is an unmanaged group of securities considered to be representative of the non-U.S. stock market in general. * Yahoo! Finance is the source for any reference to the performance of index between two specific periods.*To unsubscribe from the Weekly Market Commentary, please reply to this e-mail with "unsubscribe" in the subject line.

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