Scannell Wealth Report
March 29, 2010

The Markets

The stock market seems to be climbing the proverbial "wall of worry."

Despite potential road hazards such as sovereign debt issues, rising interest rates, a weak job market, and a stalled housing recovery, investors bid up stock prices last week to an 18-month high, according to MarketWatch. Of course, these things could eventually affect stock prices, but, for now, stocks are riding the momentum of improving earnings and some underlying stability in the economy.

Lack of job growth has been a major problem for our economy the past couple years, but that could change this week. On April 2, the government will release the March employment report and, according to CNBC, economists expect it to show a rise of about 200,000 non-farm jobs. That would be a small down payment on the 8.4 million jobs lost since December 2007, according to Bloomberg. The fact that the S&P 500 has risen for four consecutive weeks may suggest that the market has been anticipating a good report. Ironically, on the day the employment report is released, the U.S. stock market will be closed for the Good Friday holiday, so we won't know the market's reaction until the following Monday.

Fear of a double-dip recession seems to be fading, too. In its final revision, the Commerce Department said fourth quarter 2009 GDP increased at a 5.6% annualized rate, which is the fastest rate in six years. For 2010, economists surveyed by MarketWatch expect GDP to expand at a non-recessionary 3% rate. On a regional note, the Great Lakes commercial shipping season has started early partly due to increased demand for iron ore and coal. "Things are moving quicker, sooner than a year ago. And it seems like more ships are involved," said Eric Reinelt, Port of Milwaukee executive director as quoted in the March 28 edition of the *Milwaukee Journal Sentinel*.

So, despite the worries, there is some good economic news supporting stock prices.

Data as of 3/26/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.6%	4.6%	43.0%	-6.7%	-0.1%	-2.6%
DJ Global ex US (Foreign Stocks)	-0.2	0.5	50.6	-6.9	3.6	0.5
10-year Treasury Note (Yield Only)	3.9	N/A	2.7	4.6	4.6	6.2
Gold (per ounce)	-0.8	-0.7	16.9	18.3	20.8	14.5
DJ-UBS Commodity Index	-2.0	-6.8	14.9	-8.5	-3.9	2.8
DJ Equity All REIT TR Index	1.2	11.0	100.5	-10.2	4.5	12.0

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 DAY OF RECKONING due to our country's ballooning deficits may be getting closer. Back in 2008, the Congressional Budget Office (CBO), projected the U.S. would run a budget *surplus* of $247 billion for the years 2009 through 2018. Now, just two years later, CNBC and the CBO have crunched the numbers again and project that we will incur a $7.4 trillion *deficit* during that 10-year period, according to a March 26 CNBC article.

How could the situation deteriorate so much in just two years?

The CBO said 57% of the projected deficit increase was due to lower government revenues--much of which is due to the decline in our economy and projected sluggish economic growth. The other 43% included expenses such as, "the stimulus bill, a change in accounting for the war, extended unemployment benefits, and additional interest on debt."

At the end of 2009, the U.S. national debt stood at $12.3 trillion, according to the Treasury Department. Tack on the projected deficit over the next 10 years and we could be close to $20 trillion in the hole 10 years hence.

Like chocolate chip cookie dough, a spoonful of annual deficit and national debt is fine, but gorging our country on borrowed money may eventually cause significant problems. Too much government debt could lead to rising interest rates and slower economic growth, according to *Fortune Magazine*. In a worst-case scenario, it could lead to economic collapse.

We have several options to solve the budding debt problem before it gets completely out of hand. First, we could grow our way out of it. This is the preferred method and the least painful. Second, we could raise taxes. Third, we could cut government spending. Most likely, we'll see a combination of the three.

Given the magnitude of our swelling deficits, we will likely have pain in our future. Whether that pain happens in our generation, our children's, or our grandchildren's, remains to be seen.

Weekly Focus – Think About It

"The way to wealth depends on just two words, industry and frugality."
--Benjamin Franklin

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 an 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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