



Scannell Wealth Report
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The Markets

The U.S. stock market just entered its first correction of 10% since the March 2009 bear market low, according to *Barron's* magazine. In the paraphrased words of economist Michael Darda as reported by *Barron's*, are we experiencing an aftershock of the 2008 market crisis or are we having a relapse?

Catalysts for this recent correction are varied. China is clamping down on its easy money policy. Several European countries are in the midst of a liquidity/solvency problem. In the U.S., jobless claims unexpectedly rose last week and the Conference Board reported a surprising drop in its index of leading economic indicators. Both reports raised concerns that the economic rebound in the U.S. may be losing some strength, according to Bloomberg.

The case for optimism is also in plain sight. *U.S. News and World Report* says two new surveys out last week suggest, "We might be on the verge of experiencing the Great Shopping Comeback of 2010." Higher consumer spending could propel the economy and create jobs. In corporate America, first quarter earnings for the S&P 500 companies grew 55% from a year earlier and 77% of them beat their Wall Street estimate, according to Bloomberg. And, according to Federal Reserve Bank of New York President William Dudley as reported by Bloomberg, "The U.S. economy is recovering and we are now seeing the first signs of significant employment growth."

Economist Darda answered his own question and said we're simply having an aftershock, not a relapse. Even if he turns out to be correct, aftershocks could still generate some "scary headlines" in the near future. As always, we do our best to stay on top of these types of evolving situations.

Data as of 5/21/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-4.2%	-2.5%	22.6%	-	-1.8%	-2.5%
DJ Global ex US (Foreign Stocks)	-5.6	-11.6	11.4	-12.4	1.5	0.7
10-year Treasury Note (Yield Only)	3.2	N/A	3.4	4.8	4.1	6.4
Gold (per ounce)	-4.6	6.9	25.8	21.5	23.1	15.7
DJ-UBS Commodity Index	-3.5	-11.4	3.2	-11.0	-3.5	1.8
DJ Equity All REIT TR Index	-5.0	8.6	60.0	-9.2	1.6	10.7

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.

"History provides a crucial insight regarding market crises: They are inevitable, painful, and ultimately surmountable." --Shelby M.C. Davis, legendary investor

It's been said that we can count on death and taxes. We should also add "market crises" to the list. It seems like the market is always either in a crisis, recovering from a crisis, or anticipating the next crisis.

According to a January 2010 Morningstar article, we've experienced numerous "crises" over the past four decades including the following:

- In the 1970s, we had stagflation, oil shocks, high inflation, and a stock market that dropped 44% in 2 years.
- In the 1980s, we had the collapse of Drexel Burnham Lambert and the stock market crash of October 1987, which sent the Dow Jones Industrial Average down more than 20% in one day.
- In the 1990s, we had the savings and loan crisis, the bailout of hedge fund Long Term Capital Management, and the Asian financial crisis.
- In the 2000s, we had two bear markets, the subprime mortgage meltdown, and the financial crisis of 2008-2009.

But, guess what? Despite these market crises, the Dow Jones Industrial Average rose from 800 at the beginning of 1970 to 10,193 at the end of last week, according to data from Yahoo! Finance. That's nearly a 13-fold increase.

It's easy for investors to let the events of the day or the "crisis du jour" cloud their thinking. However, successful investors take a wider view and realize that crises happen, crises get resolved, and while they can sometime be scary, they should not lead you to panic mode.

Weekly Focus – Think About It

"Close scrutiny will show that most 'crisis situations' are opportunities to either advance or stay where you are."

--Maxwell Maltz

Best regards,

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*

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Securities offered through **HighTower Securities, LLC** Member FINRA & SIPC
225 Aberdeen Dr., Valparaiso, IN 46385 (219) 531-4941

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