



Scannell Wealth Report
July 5, 2011

The Markets

επεκταθείτε και προσποιηθείτε

If that looks like Greek to you, that's because, well, it is. It's Greek for "extend and pretend" and that's what happened last week to Greece's debt problem.

Deeply in debt, Greece's parliament passed legislation filled with tax increases, spending cuts, and privatization plans "aimed at meeting European Union aid requirements and staving off default," according to the *Sydney Morning Herald* and Bloomberg. By passing the austerity plan, Greece is now in line to receive as much as \$124 billion in new financing to keep the country afloat.

With immediate default now off the table, investors breathed a sigh of relief and helped send the S&P 500 to its biggest weekly gain in two years, according to Bloomberg.

A positive manufacturing report from the Institute for Supply Management, a rebound in auto sales, and strong quarterly earnings from Nike also helped send the market soaring, according to CNBC.

It's rather amazing how sentiment in the financial markets can change so quickly. The market had fallen in seven of the previous eight weeks on various economic and political concerns, but then exploded like a supernova last week. One thing we can say about the financial markets is there's never a dull moment!

Data as of 7/1/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	5.6%	6.5%	31.0%	1.4%	0.9%	0.8%
DJ Global ex US (Foreign Stocks)	4.6	2.4	28.4	-1.4	1.5	5.5
10-year Treasury Note (Yield Only)	3.2	N/A	2.9	4.0	5.2	5.3
Gold (per ounce)	-2.1	5.2	20.2	16.5	18.9	18.6
DJ-UBS Commodity Index	0.9	-3.4	25.8	-12.6	-2.1	4.4
DJ Equity All REIT TR Index	4.7	11.9	35.8	5.8	2.7	10.9

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.

WHAT TO WATCH IN THE SECOND HALF OF THE YEAR

With the first half of 2011 now history, here are a few things that made the headlines and may affect the markets over the second half of the year, according to *The Wall Street Journal*:

- The Dow Jones Industrial Average had a volatile six months, but managed to end June on a high note and finish the first half of the year up 7.2%.
What to Watch: The end of quantitative easing, ongoing European sovereign-debt issues, and the U.S. budget battle could keep investors on edge over the summer. In addition, any signs that the current “soft patch” in the economy could turn into a new recession would not be received well by investors.
- Various commodities took a price hit the past couple months including crude oil, wheat, corn, copper, and silver. Yet, by historical standards, many commodity prices are still very high and causing discomfort to consumers around the world.
What to Watch: China, India, and Brazil are a major source of commodity demand and they are trying to rein in price inflation by slowing their economy. How successfully they manage this may determine the future demand for commodities and, by extension, impact inflationary pressure.
- The initial public offering of internet stars LinkedIn and Pandora stirred talk of a new internet bubble. LinkedIn, for example, doubled in price on its opening day.
What to Watch: While we’re not close to the hysteria from late 1999, any signs of a bubble bear watching because when they burst, it’s usually painful for the markets.
- Interest rates on U.S. government securities dropped significantly in the past few weeks as concern about a slowing U.S. economy and debt troubles in Europe caused investors to flee to the perceived safety of U.S. treasuries. However, interest rates turned up at the end of the second quarter as the Greek situation eased and some data on the U.S. economy improved.
What to Watch: Any significant change in the level of interest rates – either up or down – could move the stock market. With macro issues such as the end of quantitative easing, an uneven U.S. recovery, European debt woes, and the Washington budget battle still swirling around, interest rates could be volatile and we’ll continue monitoring them.

With macro events continuing to dominate the headlines, investors seem to be alternately optimistic and despondent about the markets depending on which way the macro winds blow. This topsy-turvy market makes it psychologically difficult for investors but, we’re doing our best to maintain an even keel on your behalf.

Weekly Focus – Happy Independence Day!

So let freedom ring from the prodigious hilltops of New Hampshire.
Let freedom ring from the mighty mountains of New York.
Let freedom ring from the heightening Alleghenies of Pennsylvania!
Let freedom ring from the snowcapped Rockies of Colorado!
Let freedom ring from the curvaceous peaks of California!
But not only that; let freedom ring from Stone Mountain of Georgia!
Let freedom ring from Lookout Mountain of Tennessee!
Let freedom ring from every hill and every molehill of Mississippi.
From every mountainside, let freedom ring.

– *Martin Luther King, Jr.*

Best regards,

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* 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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* 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.