



The Markets

Is inflation good or bad for our economy? After last week, we now know the Federal Reserve's answer to that question and it may have a major effect on the financial markets going forward.

While the recession officially ended in June 2009, sluggish growth since then has concerned the Federal Reserve and that helped prod them to make their inflation intentions known in a statement released last week.

In the statement, the Fed said three times that current inflation trends are too low and that it is "prepared to provide additional accommodation if needed to...return inflation, over time, to levels consistent with its mandate." According to Bloomberg, the Fed statement opened the door to more quantitative easing, which would pump more dollars into the economy and possibly lead to more inflation down the road.

By the end of the week, the financial markets were essentially saying, "bring it on."

Prominent hedge fund manager David Tepper went on CNBC last Friday morning and commenting on the Fed news said, "Government intervention in the financial markets virtually guarantees that most investment choices will go up."

Of course, nobody can guarantee anything in the financial markets, but putting Tepper's hyperbole aside, the Fed's statement is noteworthy. Like Alice going down the rabbit hole in the beloved children's story, the effect of more Fed action could take us on an adventure into the economic and political unknown.

No matter what results from this, we will do our best to stay on top of it.

Data as of 9/24/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.1%	3.0%	10.0%	-8.9%	-1.1%	-2.2%
DJ Global ex US (Foreign Stocks)	2.3	2.5	6.1	-8.9	2.3	2.3
10-year Treasury Note (Yield Only)	2.6	N/A	3.4	4.6	4.3	5.8
Gold (per ounce)	1.8	17.5	28.4	21.1	22.9	16.9
DJ-UBS Commodity Index	1.3	0.7	13.4	-7.7	-4.3	2.6
DJ Equity All REIT TR Index	-0.1	20.4	34.3	-5.6	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.

MAU PIALUG, MASTER NAVIGATOR, DIED ON JULY 12, but his skill as a navigator can teach us a few lessons about what's possible in business and life.

In 1976, Mau sailed a double-hulled canoe 2,500 miles from Hawaii to Tahiti without a compass, sextant, or charts. His objective was to see if ancient seafarers could have traveled this way from the south and west to populate Hawaii. In a moving tribute, *The Economist* said, "At that time, Mau was the only man who knew the ancient Polynesian art of sailing by the stars, the feel of the wind, and the look of the sea."

The Economist further wrote:

By day he was guided by the rising and setting sun, but also by the ocean herself, the mother of life. He could read how far he was from shore, and its direction by the feel of the swell against the hull. He could detect shallower water by color, and see the light of invisible lagoons reflected in the undersides of clouds. Sweeter-tasting fish meant rivers in the offing; groups of birds, homing in the evening, showed him where land lay.

Clearly, this was a man who understood his craft and the deep principles underlying it. While modern tools could be used to accomplish much of what Mau did by feel and perception, sometimes modern tools are no match for deep understanding.

Likewise, investors sometimes get caught up in thinking that complexity and sophistication are the ticket to stock market riches. But, as Leonardo da Vinci said, "Simplicity is the ultimate sophistication." You can still be successful without a Bloomberg terminal, without a high-frequency algorithmic trading system, and without using esoteric derivative securities.

Mau passed down his knowledge to a small number of students so his art is not lost to the world. The art of investing is not lost to the world either, and that is an area where we strive to be a continuous learner.

Weekly Focus – Think About It

"If one does not know to which port one is sailing, no wind is favorable." --*Seneca*

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*

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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.

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