



Scannell Wealth Report
November 30, 2009

The Markets

Two steps forward, one step back might be an appropriate description of the financial markets these days.

We started the week on a good note as the National Association of Realtors said existing home sales rose 10.1% in October to the highest seasonally adjusted annual rate since February 2007. Later in the week, the Commerce Department said new home sales rose 6.2% in October, which was well above the number that economists surveyed by MarketWatch had expected. And, the Labor Department said 466,000 Americans filed for unemployment benefits for the week ending November 21. That was the lowest number since September 2008. The stock market liked these numbers and by Wednesday of last week, the S&P 500 index had hit a 13-month high, according to MarketWatch.

Then came Thursday. As most of us were celebrating Thanksgiving, Dubai World – the investment arm of the country of Dubai, announced that it was delaying repayment on much of its debt. That surprise announcement sent stocks, bonds, and commodities around the world into a tailspin. By Friday, cooler heads prevailed and the decline in the U.S. market was limited. For the week, the S&P 500 was flat.

This week, investors will likely focus on the early read from “Black Friday” sales to determine if the consumer has any oomph left. Additional news from Dubai may also move the markets. While the S&P 500 is up about 60% from its March 9 low, last week’s surprise news from Dubai indicates that there may be lingering effects from the recession for some time to come.

Data as of 11/27/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.0%	20.8%	21.8%	-7.6%	-1.5%	-2.5%
DJ Global ex US (Foreign Stocks)	-0.7	36.0	44.8	-5.3	3.6	0.9
10-year Treasury Note (Yield Only)	3.2	N/A	3.0	4.5	4.3	6.2
Gold (per ounce)	2.3	34.1	43.3	22.2	20.9	14.8
DJ-UBS Commodity Index	0.3	15.4	10.2	-7.8	-2.6	4.0
DJ Equity All REIT TR Index	-2.9	15.3	31.3	-15.0	-0.6	10.1

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.

EXPERTS HAVE DEVELOPED MANY RULES OF INVESTING, some of which work better than others. It would make our lives easier if we found some rules that worked in all situations and at all times, but, of course, we haven't found those rules, yet! Nonetheless, here are several from veteran investor and market observer Dennis Gartman that are worth considering. Gartman published these rules in a book edited by John Mauldin titled, *Just One Thing*.

RULE # 1

Never add to a losing position. Gartman says the market knows best and, if an investment is going down in value, then you should get out, not add more.

RULE # 2

Mental capital trumps real capital. Yes, you lose money (real capital) by holding onto a losing position, but Gartman says the emotional cost of holding onto a losing position is even more costly as you toss and turn about what to do. Better to take your loss and move on to something more promising.

RULE #3

Sell markets that show the greatest weakness; buy markets that show the greatest strength. This is similar to the old saying, “The trend is your friend.” You may not agree with the trend, but the market doesn’t really care what you think; it responds to what the majority of investors think.

RULE #4

Keep your trading system simple. Some of the most “sophisticated” investors were the biggest losers in 2008. Gartman says, “Complexity breeds confusion; simplicity breeds an ability to make decisions swiftly, and to admit error when wrong. Simplicity breeds elegance.”

RULE # 5

Do more of that which is working and do less of that which is not. Sounds simple, doesn’t it? Essentially, it’s add to your winners and sell your losers.

Rules-based investing is only as good as the “programmer” of those rules, the investor’s ability to implement those rules, and the markets’ desire to follow those rules. In reality, the financial markets reflect the combined actions of investors around the world. Trying to come up with rules that accurately reflect this human herd at all times in all situations is, if not impossible, right next to it. However, rules can be helpful as a guide.

Weekly Focus – Think About It

“All there is to investing is picking good stocks at good times and staying with them as long as they remain good companies.”

--Warren Buffett

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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225 Aberdeen Dr., Valparaiso, IN 46385 (219) 531-4941

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