



**Scannell Wealth Report
August 10, 2009**

The Markets

Jobs are starting to come back. Corporate earnings are stabilizing. Now, it is up to the consumer to do their part – and that means start spending.

Last week, the government reported that the July unemployment rate ticked down to 9.4% from June’s 9.5% reading. Also, the number of jobs lost in July came in at 247,000, which was significantly better than analysts expected. Corporate earnings are coming in better than expected, too. Zacks reported that as of August 3, more than 70% of the S&P 500 companies that had reported second quarter earnings beat estimates.

Now, here’s the conundrum. Consumer spending accounts for about 70% of economic activity here in the U.S. This means in order for the economy to experience sustained growth, consumers will need to open their wallets and spend, spend, spend. Unfortunately, reckless deficit spending on the part of consumers (and government) helped put us in this financial mess in the first place. Can “more” of what got us into this mess help get us out of it?

Perhaps the way to solve this conundrum is to turn to the field of medicine and the concept of a vaccine. Vaccines typically contain an innocuous form of the bacteria or virus that the vaccine is trying to guard against. In medicine, it turns out that a derivative form of the problem actually prevents the problem.

The same concept can work for our economy. Consumers do need to spend, but they need to spend *responsibly*. By spending within their means and being prudent in their purchases, consumers can move this economy from recession to sustainable expansion. Effectively walking this fine line between responsible and reckless spending may be good for stock prices and for the future of our country.

Data as of 8/7/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.3%	11.9%	-	-7.5%	-1.0%	-2.5%
DJ Global ex US (Foreign Stocks)	1.2	25.6	-20.7	-5.1	5.1	1.6
10-year Treasury Note (Yield Only)	3.9	N/A	3.9	4.9	4.2	6.1
Gold (per ounce)	1.8	9.9	9.7	13.7	19.1	14.1
DJ-UBS Commodity Index	3.0	11.1	-33.4	-9.8	-2.2	4.1
DJ Equity All REIT TR Index	16.4	13.3	-29.0	-11.9	2.2	N/A

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 available.

INVESTORS ARE DRIVEN BY THE FEAR OF LOSING AND THE FEAR OF LOSING OUT. Last winter, as the financial markets were seemingly in a free fall, panic and fear reigned. There was a sense that the worldwide financial system could collapse and that the problem was bigger than the government’s ability

to solve it. This fear of losing spurred more selling and it became a vicious cycle – until it stopped. Today, it's a completely different picture.

Today, the banking system is back from the brink. Liquidity is improving. The S&P 500 index is up about 50% from its March low. And, the economy is showing definite signs of coming back to life. Ironically, fear is also returning to the markets. However, it is not the fear of losing money; rather, it is the fear of losing out from making a big killing as the markets recover.

Both types of fear have the ability to dramatically move the markets.

To state the obvious, humans are emotional. For example, we're emotional about relationships, about work, about politics, about religion, about food, and, of course, about money. As humans oscillate between the fear of losing money and the fear of missing out on making it, we tend to drive the financial markets much lower and much higher than "reason" might dictate.

The tricky question facing investors right now is, "Will the fear of missing out on a big rally drive this market even higher as investors who have been on the sideline decide they have to get in?" Back in the late 1990s, the technology-led stock market bubble took stock prices to an unprecedented level that was far higher than justified by "fundamentals." Could history be repeating itself?

Interestingly, as of last Friday, the S&P 500 index was 22% *lower* than it was 10 years ago. For the bulls, this suggests the market still has lots of room to run higher and is in no danger of being in bubble territory. For the bears, they point to a near 50% rise and say it's time for a breather. Also, famed investors such as Paul Tudor Jones think this is nothing more than a sharp bear market rally.

Ultimately, significant money can be made or lost during periods when human emotions move toward the extremes of "fear of losing" and "fear of losing out." We work diligently on your behalf to try to be on the profitable side of the "fear" investment.

Weekly Focus – Think About It

"In business as in life, sometimes bad things happen to good people, and sometimes good things happen to bad people. But over time, if you play long enough, everybody gets what he deserves... good and bad."
--Jeffrey Immelt, Chairman and CEO of General Electric

Best regards,
Timothy Scannell, CPA, CFP®
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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This newsletter was prepared by PEAK