



**Scannell Wealth Report**  
**June 29, 2009**

**The Markets**

Faith that the economy will get significantly better in the near future will soon need to be replaced by the proof that it is getting better or else we may end up with more market volatility.

Back on March 9, the S&P 500 index hit a bear market low and investors were very nervous. But, then the stock market turned on a dime and proceeded to rise about 38% as of last Friday. Analysts began to identify “green shoots” in the economy that suggested the recession was ebbing and that helped justify the swift market rise.

However, the green shoots are starting to lose their ability to propel the market higher as the S&P 500 is now back to where it traded in early May, according to data from Yahoo! Finance. To jumpstart the market, we may need to see additional evidence that the economy is on the mend.

Second quarter earnings announcements will start arriving over the next few weeks and they may provide a catalyst to shake us out of the current trading range. Companies can boost their short-term earnings by cutting costs – which many of them have already done – but, eventually, they have to start growing revenue to maintain momentum. The upcoming earnings might be our first sign of corporate America’s ability to show decent revenue growth after the depths of the recession. If the numbers fall short, then investors’ recent faith may have been premature and that could cause some market heartburn. If the numbers look good, then the faith may have been justified and that could be good news for stock prices.

So, let’s just say it’s show and tell time for the economy and corporate America!

<b>Data as of 6/26/09</b>	<b>1-Week</b>	<b>Y-T-D</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Standard & Poor's 500 (Domestic Stocks)	-0.3%	1.7%	-	-9.8%	-4.1%	-3.6%
DJ Global ex US (Foreign Stocks)	0.4	13.7	-32.6	-6.6	1.8	0.7
10-year Treasury Note (Yield Only)	3.5	N/A	4.0	5.2	4.7	6.0
Gold (per ounce)	0.7	8.3	3.6	17.3	18.4	13.7
DJ/AIG Commodity Index	-1.9	5.7	-47.0	-9.6	-3.0	4.4
DJ Equity All REIT TR Index	-0.4	-12.5	-43.9	-17.1	-2.9	N/A

Notes: S&P 500, DJ Global ex US, Gold, DJ/AIG 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.

**THE WILD SWING IN THE PRICE OF OIL OVER THE PAST YEAR** is one example of how the financial markets tend to move from one extreme to another. Back in July 2008, oil soared to \$145 per barrel on the idea that the world was running out of oil and that emerging markets like China, Brazil, and

India would keep demand high. Then the reality of the recession hit hard and oil prices promptly nose dived. Prices bottomed-out near \$33 in December 2008 which represented a decline of more than 75%.

But, the low prices did not last long. As of last Friday, oil prices closed at just over \$69 per barrel. That's a rise of more than 100% since last December's low.

So, here's the recap. Prices soared to \$145 per barrel last July, then plunged to \$33 per barrel in December, then more than doubled to \$69 per barrel last week. And guess what? During that time, there was no major supply disruption or geopolitical event.

This is a great example of how the complex interplay of speculation, fear, and greed combine to generate dramatic volatility in the financial markets. Sometimes huge moves like this can be explained by outside events. Other times, they seem to make no sense whatsoever. Yet whether they make sense or not, we do our best to try to be on the "right" side of the move.

### **Weekly Focus – Think About It**

“In a world filled with hate, we must still dare to hope. In a world filled with anger, we must still dare to comfort. In a world filled with despair, we must still dare to dream. And, in a world filled with distrust, we must still dare to believe.”

-- Michael Jackson

Best regards,

**Timothy Scannell, CPA, CFP®**  
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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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