Bonnett Wealth Management
Wealth Management Personally Delivered

Weekly Market Notes

For the Week of June 14, 2010

THE MARKETS

The U.S. stock market rose on Friday as investors focused on upbeat consumer sentiment rather than the unexpected drop in retail sales in May. The Dow logged its first winning week in a month. For the week, the Dow gained 2.90 percent to close at 10,211.07. The S&P rose 2.57 percent to finish at 1,091.60, and the NASDAQ advanced 1.10 percent to end the week at 2,243.60.

Returns Through 6/11/10	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials	2.90	-0.80	19.68	-6.06	2.09
NASDAQ Composite	1.10	-1.13	20.47	-4.45	1.69
S&P 500	2.57	-1.21	17.91	-8.18	0.24
BarCap US Agg Bond (TR)	-0.07	4.16	10.22	7.38	5.44
MSCI EAFE	1.25	-12.34	3.48	-12.56	1.23

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The S&P, excluding "1 Week" returns, is a reflection of return to an investor, by reinvesting dividends after the deduction of withholding tax.

Very Low – The average interest rate nationwide on a 30-year fixed rate mortgage was 4.79 percent on June 3, 2010, just 0.08 percent higher than its all-time low. From January 1978 to September 1991, the average interest rate nationwide on a 30-year fixed rate mortgage never got below 9 percent (Source: Freddie Mac, BTN Research).

On The Job – Employers in the U.S. hired 431,000 new workers in May 2010, the fifth consecutive month in which more jobs have been added than have been lost. In January, 14,000 new jobs were added, followed by 39,000 new jobs in February, 208,000 new jobs in March, 290,000 new jobs in April, and finally the 431,000 new jobs last month (Source: Department of Labor, BTN Research).

It Happened In June – During the past four years (i.e., 2006-09), the highest yield achieved by the 10-year Treasury note in each of those years took place during the month of June. The 2006 peak yield took place on June 28, the 2007 peak yield took place on June 12, the 2008 peak yield took place on June 13, and the 2009 peak yield took place on June 10 (Source: Treasury Department, BTN Research).

WEEKLY FOCUS – Back Up Your Back-Up Plan With Comprehensive Support

The problem with things that have never happened before is that, well, they've never happened before. Even when we create contingency plans, situations or events can come along that upset not only the apple cart, but also the horse.

On May 7, the stock markets experienced a significant one-day decline. Hindsight review pointed, at least in part, to the New York Stock Exchange's (NYSE) "circuit breaker" rule that automatically pauses trading for five minutes when a company's stock price fluctuates 10 percent in either direction in five minutes or less. In theory, it sounded like a good way to prevent volatility. The problem was that other exchanges didn't have the same rule, so when the NYSE halted trading on those stocks, traders turned to the smaller exchanges, whose systems, with no price coming from NYSE, automatically set the price at 1 cent. Now the SEC has established circuit-breaker rules for all U.S. exchanges, according to a June 11 article in USA Today.

The BP oil spill will go down in history as not only one of the largest, but also as the perfect example of failed (and untested) backup plans. These two examples provide lessons for investors. In the case of the stock exchanges, it took only about five weeks for the SEC to identify what went wrong, suggest a solution, open it to the industry for comment and stage a test. In contrast, BP's spill happened in April, and the company still hasn't managed to shut it down. Granted it's easier to stop trading on a computerized stock exchange than it is to control a pressurized flow of oil into the ocean, but in some respects, it's about the contingency planning, access to data, quick analysis and decisive action.

Investors benefit from the same contingency planning, access to data, quick analysis and decisive action that an independent financial advisor can provide. Faced with unexpected situations, whether a personal crisis or a market decline, you need someone who has all the background information on you and your finances, plus all the industry data and tools. You need a plan, a contingency plan and immediate help if an event puts both of those in a tailspin. We can be that help. Call our office to schedule an initial consultation or review for your financial plan.

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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. 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 Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America.