

For the Week August 2, 2010

THE MARKETS

The Dow and S&P marked their best months in a year, rising nearly 7 percent for July. Strong quarterly earnings reports throughout the month offset less encouraging economic indicators, particularly slow growth in jobs creation. Stocks had been moving lower since April on concerns over the European debt crisis and signs of a slowing economy, according to CNNMoney.com. The nation's gross domestic product, which measures economic activity, rose in the second quarter at a 2.4 percent annualized rate, down from 3.7 percent in the first quarter and slightly less than the 2.5 percent predicted by economists in a Briefing.com survey. For the week, the Dow gained 0.40 percent to close at 10,465.94. The S&P fell 0.07 percent to finish at 1,101.60, and the NASDAQ declined 0.65 percent to end the week at 2,254.70.

Returns Through 7/30/10	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials	0.40	1.87	17.50	-5.13	2.34
NASDAQ Composite	-0.65	-0.64	13.63	-4.43	0.63
S&P 500	-0.07	-0.11	13.92	-7.17	-0.17
BarCap US Agg Bond (TR)	0.54	6.46	9.61	7.69	5.96
MSCI EAFE	1.51	-5.00	7.35	-9.85	2.10

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.

Going Down? – More than half of retired Americans surveyed (56 percent) believe that in their lifetime Social Security will be forced to reduce the promised level of benefits scheduled to be paid to them (Source: Gallup, BTN Research).

Want My Business? – The three best states to conduct business in each of the last two years (i.e., 2009 and 2010) are Texas, Virginia and Colorado. The three worst states to conduct business in the same two years are Hawaii, Rhode Island and Alaska. The study used a subjective analysis of 40 different measurements (Source: CNBC, BTN Research).

Big Banks – The three largest banks in the U.S. have 54 percent of the \$12.1 trillion of assets controlled by all domestic commercial banks (Source: Federal Deposit Insurance Corporation, BTN Research).

WEEKLY FOCUS – Stemming the Information Spill

For months, we've watched the spreading disaster of the oil spill in the Gulf and its impact on the environment, the economy and the financial well being of individuals in the area. The clean-up effort now seems to be making progress, with the placement of a cap over the remains of the well, but the contamination will take years to undo.

Unlike oil in the Gulf, the spill of financial information continues to spread, and it can contaminate the ability of investors to make decisions about their finances. Certainly freedom of information is an important part of our nation's structure, but like all of our freedoms, with it comes responsibility. And in today's world, with its constant flow of information from sources both credible and crank, that responsibility may include placing our own cap over the flow.

Kiplinger magazine recently discussed a research experiment by behavioral economist Richard Thaler in which the subjects "managed" a hypothetical college endowment consisting of two investments over 25 years. The subjects could choose how often they received performance information and how often they could trade. As Kiplinger summarized, "The results revealed an information paradox: Less can be more. Participants who received information once every five years, and could trade only that often, earned returns that were more than twice those of participants who were updated monthly and could trade that frequently."

This isn't to say that investors should remain blissfully ignorant about investment trends and their own finances. It does show, however, that having frequent access to a glut of information does not necessarily result in better decision making. For that reason, we advocate meeting with you at least annually to review your circumstances and progress toward your financial goals. We also recommend being selective about the information you gather. And feel free to contact us any time you have a question.

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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.
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