Weekly Commentary
February 16, 2010

THE DRUG OF EASY MONEY will eventually be withdrawn from the worldwide economy since governments cannot indefinitely spend (or create) money that they don't have. The question of when and how that happens is looming large over the financial markets. Just in the U.S. alone, we invested (spent?) trillions of dollars propping up the economy, according to CNN, and so far, it has helped avert a potentially even larger disaster. Unfortunately, it may have just delayed the next day of reckoning.

So, how do you withdraw the drug of easy money from an economy without tipping it back into a recession? Very carefully! *The Economist* has identified three key issues to address in order to pull off an effective exit strategy.

First, you have to get the timing right. If you pull the stimulus too soon, you might end up with a relapse into recession. If you let the stimulus slosh through the economy too long, it could break the budget, lead to unacceptable inflation, or cause new bubbles to form.

Second, you have to get the tactics right. The two main tactics include cutting the government budget and raising interest rates. However, if you cut the budget too much, you run the risk of--you guessed it--another recession. Ditto for raising interest rates too soon.

Third, you have to get the technique right. The U.S., in particular, was zealous in creating newfangled funding mechanisms, bailout programs, backstop guarantees, and lending facilities to stop the market meltdown in 2008-09. How we unwind these programs may have a big impact on the economy so we have to get this right, too.

Ultimately, there are no easy answers to these three issues, yet they are vitally important to our economic future. And, the best way to monitor how effective the government is in answering these issues is to follow the reaction in the financial markets. Of course, we do that on your behalf and find appropriate strategies -- so you can spend your time in areas that are most important to you.

Data as of 2/12/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.9%	-3.6%	30.1%	-9.1%	-2.3%	-2.5%
DJ Global ex US (Foreign Stocks)	1.4	-6.3	44.4	-8.5	1.9	0.1
10-year Treasury Note (Yield Only)	3.7	N/A	2.7	4.8	4.1	6.5
Gold (per ounce)	2.3	-2.0	14.7	17.6	20.6	13.4
DJ-UBS Commodity Index	2.7	-6.6	19.2	-7.4	-2.4	2.8
DJ Equity All REIT TR Index	-0.5	-6.1	52.5	-16.5	0.0	10.3

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.

Weekly Focus – Think About It

"Nobody can go back and start a new beginning, but anyone can start today and make a new ending."
--Maria Robinson

Best regards,

Tony Hartman

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 e-mail with their e-mail address and we will 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 DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.
* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
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