

Weekly Commentary February 22, 2010

The Markets

The U.S. stock market has had several "mini corrections" since the March 9, 2009 low and last week's strong performance has some analysts saying the recent 9% drop in the S&P 500 from its mid-January high may have run its course, according to the Associated Press.

Stocks rose for the second consecutive week and have now recouped about two-thirds of the 9% drop that occurred between January 19 and February 8. Jitters about sovereign debt problems in Europe, central governments "taking away the punch bowl" of easy money, and a surprise rise in the discount rate last week have started to give way to the good news that corporate earnings are still moving up smartly, the manufacturing sector is on the rise, and inflation is subdued, according to Bloomberg.

Interestingly, whether you are bullish or bearish, there is still plenty of data to support either view. However, some of this data is contradictory which makes discerning solid trends a little more difficult. For example, the value of the U.S. dollar rose more than 8% against a basket of six currencies between late November 2009 and February 19, according to www.stockcharts.com. Yet, as the dollar is rising, our government is running trillion dollar deficits and the Federal Reserve continues to proclaim that it will keep interest rates low for an extended period of time-- both of which would seem to be bad news for the value of the dollar.

Also, core consumer prices *declined* in January for the first time since 1982, suggesting inflation -- at the moment -- is well under control. Despite low inflation, gold closed last week over \$1,100 an ounce, which is not far from its all-time record high, according to Barron's and CNBC. Low inflation would seem to be bearish for gold prices, but, so far, gold has ignored our relatively stable prices, perhaps portending rising inflation down the road.

This "new normal" of contradictory relationships makes navigating the financial markets a bit trickier than usual, but we are working hard to meet the challenge for you.

Data as of 2/19/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	3.1%	-0.5%	44.0%	-8.8%	-1.3%	-2.0%
DJ Global ex US (Foreign Stocks)	1.5	-4.9	53.3	-8.8	2.0	0.4
10-year Treasury Note (Yield Only)	3.8	N/A	2.9	4.7	4.3	6.3
Gold (per ounce)	2.8	0.8	13.5	18.4	21.1	13.8
DJ-UBS Commodity Index	3.7	-3.1	29.6	-6.9	-2.5	3.2
DJ Equity All REIT TR Index	5.4	-1.0	89.4	-15.7	1.6	11.0

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.

THE RICH ARE GETTING RICHER and the IRS just released some data that drives home that point. Below are some eye-popping tidbits on the top 400 individual tax returns based on largest Adjusted Gross Income, according to the IRS.

- In 1992, the person ranked 400th on the list had an Adjusted Gross Income of \$24.4 million. In 2007, that number rose to \$138.8 million.
- In 1992, the *average* Adjusted Gross Income for the 400 people on the list was \$46.8 million. In 2007, the average rose to \$344.8 million.
- In 1992, the top 400 paid 1.0% of the country's total income taxes. In 2007, they paid 2.1% of the total.
- In 1992, the average tax rate for the top 400 was 26.4%. In 2007, the average tax rate was 16.6%.
- During the 16 years between 1992 and 2007, a select group of 3,472 different people made the top 400 list at least once. And, out of those 3,472 people, 72% appeared on the list only once. At the other end, 7 extremely wealthy people made the top 400 list every one of those 16 years!

Do you have any guess as to who those 7 people are that made the top 400 list every year between 1992 and 2007? Inquiring minds want to know, but the IRS is not divulging the names.

Weekly Focus – Think About It

"A man is rich in proportion to the number of things which he can afford to let alone."
--Henry David Thoreau

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.

Securities offered through Madison Avenue Securities Member FINRA/SIPC.

* 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.

* Past performance does not guarantee future results.

* You cannot invest directly in an index.

* Consult your financial professional before making any investment decision.

* To unsubscribe from the Weekly Commentary please email us at team@DenverFinancialGroup.com