

Weekly Commentary

April 27, 2009

The Markets

The government's ability to "stick the landing" will go a long way toward determining how well the economy – and, by extension, the stock market – will fare over the coming years.

If you're a fan of gymnastics, you're familiar with the concept of "sticking the landing." Whether it's coming off the vault, the beam, or the bars, gymnasts hope to make that picture perfect landing with a big smile and arms outstretched. Taking a step forward on the landing, a step backward, or, worse yet, falling on your you know what, leads to a dreaded deduction and a disappointing finish.

The government is in a similar position.

With its myriad of fiscal and monetary policies, the government is furiously working to "stick" an economic landing that will prevent the recession from turning into a depression or the recovery from turning into runaway inflation. Their stab at managing interest rates and trying to thaw the credit markets is a good example.

On March 18, the Federal Reserve announced they would purchase more than \$1 trillion in government and agency debt and mortgage-backed securities in an effort to lower interest rates and spur growth. So, how well has it worked? The yield on the 10-year Treasury note immediately dropped one-half percent from 3.0% to 2.5% – a huge one-day decline and a quick sign that the market liked what it heard. However, by last Friday, investors had reconsidered and the yield on the 10-year note was back up to 3.0%.

While the yield on the 10-year note has done a round trip over the past few weeks (possibly due to improved economic expectations or higher inflation expectations), the Fed has achieved some success in lowering other interest rates. For example, interest rates for mortgages, investment grade bonds, junk bonds, and municipal bonds have all declined since the Fed went on its bond-buying spree. And, let's not overlook the effect in the stock market. Since its March 17 close, the S&P 500 index has risen about 11%, according to data from Yahoo! Finance.

Overall, the government has made some headway in managing interest rates, but the credit markets are by no means back to normal.

Unlike gymnastics, where you know in an instant if the gymnast "sticks the landing," we won't know for months, or perhaps even years, if the government sticks its economic landing. In the meantime, we'll continue to watch for the signs and make adjustments accordingly.

One near term concern I have is the amount of insider selling in the markets after the rally over the recent weeks. According to Bloomberg, executives and insiders at U.S. companies are taking advantage of the recent stock market gains to unload shares at the fastest pace since the start of the bear market.

“They should know more than outsiders would, so you could take it as a signal that there is something wrong if they’re selling,” says Mr. Stone, chief investment strategist at PNC’s wealth management unit, which oversees \$110 billion in Philadelphia. “Whether it’s a sustainable rebound is still in question.”

I’d prefer that insiders were buying instead of selling. I would be extremely cautious if you were planning that the recent rally was sustainable.

It’s a Boy! Last week, April 21 2009, our baby boy, Mark Jason Hartman arrived in our life. He is healthy, almost constantly hungry/nursing, and weighed in at 8.4 pounds. Mom is recovering, doing fine and catching up on sleep. A newborn coming into the world is a miracle. Our family feels very blessed and thankful.

Data as of 4/24/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.4%	-4.1%	-38.0%	-12.8%	-5.3%	-4.4%
DJ Global ex US (Foreign Stocks)	0.8	-0.5	-44.7	-13.5	-1.0	-0.6
10-year Treasury Note (Yield Only)	3.0	N/A	3.8	5.0	4.4	5.2
Gold (per ounce)	4.3	4.3	1.3	13.4	18.0	12.4
DJ/AIG Commodity Index	-2.2	-5.3	-47.5	-14.4	-5.4	3.1
DJ Equity All REIT TR Index	3.7	-9.3	-48.8	-16.4	-0.4	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.

Weekly Focus – Think About It

“Don't judge each day by the harvest you reap, but by the seeds you plant.”

--Robert Louis Stevenson

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.

* Gold represents the London afternoon gold price fix as reported by www.usagold.com.

* The DJ/AIG 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 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.

* 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.

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