

# Weekly Commentary

## June 9, 2008

### The Markets

Big Brown laid a big goose egg on Saturday at the Belmont Stakes as did the stock market the day before.

As the heavy favorite to win the Triple Crown, Big Brown proved once again that there are no sure things in racing. The stock market is no different. In recent weeks, as the stock market rallied from its mid-March lows, many pundits suggested the worst was over. While that may still be true, last Friday's nearly 400-point drop in the Dow Jones Industrial Average reminded investors that things can change in a hurry.

A weak employment report, another record surge in oil prices, and a weaker dollar all combined to send the domestic stock market last Friday to its worst daily loss in more than a year, according to *Barron's*. The Labor Department said May payrolls fell by 49,000—a smaller decline than expected, according to a Bloomberg News survey—while the unemployment rate rose by 0.5% to 5.5%. The rise in the unemployment rate is worrisome, however, as reported by MarketWatch.com, and the Labor Department said the big jump may partially reflect “statistical distortion” caused by the difficulty of “seasonally adjusting” the numbers to reflect the big influx of students entering the job market this time of year. In other words, reality may not be as bad as the report suggests.

While the stock market was down last week, the bond market was up. The yield on the 10-year Treasury declined from 4.05% on Friday, May 30, to 3.94% on Friday, June 6. Bond prices move inversely to a bond's yield so that means the value of bonds went up last week, according to data from Yahoo! Finance. This is an example of how diversification may help temper volatile movements in the stock market.

Thomas J. Lee, chief U.S. equity strategist at JPMorgan, took an optimistic view on the jump in unemployment. He said, “The Dow Industrials posted a 30% average gain in the 12 months following a jump in the unemployment rate by half a point or more since 1950,” according to Bloomberg. Let's hope the current jump continues that positive 30% average gain.

Returns through 6/6/08	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Dow Jones Industrials	-3.4	-8.0	-9.1	5.3	6.1	3.0
NASDAQ Composite	-1.9	-6.7	-3.9	6.0	8.7	3.3
Standard & Poor's 500	-2.8	-7.3	-9.8	4.4	6.6	2.0

Sources: Yahoo! Finance, Barron's. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. Three-, Five-, and 10-year returns are annualized. Assumes dividends are not reinvested.

**WHILE OVERALL DOMESTIC STOCK PRICES ARE DOWN OVER THE PAST YEAR,** other various asset classes have performed well. With the low returns in the U.S., some investors have pulled money out of domestic stocks and put it to work elsewhere. This “money in motion” has helped prop up other asset classes.

With so many investment choices these days, we're not limited to just what's happening in the domestic market. Frequently, even if the U.S. equity market is down, one or more other asset classes somewhere in the world is performing well. Because of globalization and innovation, it's relatively

easy for investors to move money from one asset class to another. Consequently, we can see big moves in the financial markets in short time periods as investors readjust their portfolios to try to take advantage of changing market conditions.

As always, we remain on alert for the best investment opportunities and, as we deem appropriate, we'll try to take advantage of them on your behalf.

## **Weekly Focus – Do You Want to Live Longer and Healthier?**

If you answered “Yes” then, play more golf. Playing golf may reduce your death rate by 40%.

A new study published in the *Scandinavian Journal of Medicine & Science in Sports* made that startling conclusion even after controlling for sex, age, and socioeconomic status. In more understandable terms, golf may add five years to your life expectancy, according to the study as reported by *Bloomberg*. And, if you're a low handicap golfer, you're even better protected, according to the study.

So, if your loved one is complaining about you spending too much time on the links, just say, “Honey, I'm doing it for you so I can live longer and spend more time with you.” Yeah, right!

Best regards,

### **The Advocate Group**

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.

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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.
- \* The 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.
- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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