

Weekly Commentary

February 1, 2010

The Markets

Let's recap some of the good news last week:

- The Commerce Department said the economy grew in the fourth quarter at its fastest pace in more than six years;
- The Institute for Supply Management-Chicago said its index of Midwest business activity rose more than expected in January;
- Consumer sentiment in January as measured by The Reuters/University of Michigan Surveys of Consumers hit its highest level in two years; and
- Of the 220 companies in the S&P 500 index that have reported fourth quarter earnings, 78% of them exceeded analysts' expectations, according to Thomson Reuters. In a typical quarter, only 61% of companies beat Wall Street targets.

Sounds pretty good, doesn't it? So, how does the stock market respond? It goes down.

Once you delve into it a little further, this "good news for the economy is bad news for the stock market" may not be as illogical as it seems. Do you remember how bad things were back in early March 2009? Just as the economy seemed on the brink of destruction, the stock market turned around and started soaring. Back then, investors detected the early signs of a turnaround in the economy. They were proven right as evidenced by last quarter's GDP growth and the positive fourth quarter earnings that are now coming out.

Effectively, the stock market anticipated the recent positive news and that is partly why the market rallied so much in 2009. Now, it appears that much of this good news is already "priced" into the market. So, rather than propelling the market higher, the good news is causing some investors to take profits while waiting for the next catalyst.

Whether this recent downturn is just a bump along the bull market path or the beginning of a new leg down is unknown. Either way, we continue to monitor the situation on your behalf.

Data as of 1/29/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.6%	-3.7%	30.0%	-8.9%	-1.9%	-2.6%
DJ Global ex US (Foreign Stocks)	-3.4	-4.4	43.5	-7.4	2.8	0.7
10-year Treasury Note (Yield Only)	3.6	N/A	2.8	4.9	4.1	6.7
Gold (per ounce)	-0.5	-2.3	20.9	18.7	20.6	14.3
DJ-UBS Commodity Index	-4.3	-7.3	16.4	-7.0	-2.5	2.9
DJ Equity All REIT TR Index	-0.7	-5.2	41.7	-15.7	1.3	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.

WHAT DO A MICROSCOPE AND A TELESCOPE have in common as it relates to investing? Both of them represent ways to look at the markets that may help us be better investors.

Structurally, we like to view the markets through a microscopic and a telescopic lens. Through reports like the one you are reading now, we keep tabs on what is happening at a microscopic level. We know that what happens in the short-term at the granular level could be early warning signs of longer-term changes. These microscopic changes could include things such as: changes in market internals and technical analysis, insider buying or selling, unexpected changes in economic numbers, and sentiment changes.

Our telescopic lens captures the big picture view of trends and opportunities that unfold over longer periods. These take longer to come to fruition, but usually end up generating the greatest rewards. Telescopic changes could include things such as: regulatory changes, technological changes, monetary and fiscal policy changes, and demographic changes.

Utilizing a microscopic and telescopic point of view helps us pay attention to the short-term so we don't get blindsided, while allowing us to scan the horizon for bigger trends that may ultimately have the largest positive impact on your portfolio. You could also call it being "bifocal."

Weekly Focus – Think About It

"It is impossible to produce a superior performance unless you do something different from the majority."

--John Templeton

Best regards,

Jim

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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.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Consult your financial professional before making any investment decision.

* You cannot invest directly in an index.

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* Compliance Number: CRN201202-130522