Weekly Commentary
September 28, 2009

The Markets

After closing at a post-recovery high on Tuesday of last week, the market headed south the next three days as investors assessed the impact of the Federal Reserve's latest missive and digested some less exuberant economic data.

On Wednesday, the Fed said that, "Economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period." This suggests interest rates should remain low for the foreseeable future, which may be healthy for the economy and the stock market. The Fed also said it was slowing the pace of its purchase of mortgage-backed securities. This program has helped stabilize the housing market. Unfortunately, the wording of this particular sentence made some investors think that the government will take away the punch bowl (i.e., the stimulus) a little sooner than expected. After pondering it for a few moments, investors decided it was a good time to book some profits and the market sold off shortly after the release of the Fed statement.

Later in the week, a couple of disappointing housing reports and a weaker than expected durable goods number contributed to further stock market weakness. On the bright side, the Reuters/ University of Michigan Surveys of Consumers said its index of sentiment for September rose to 73.5 from 65.7 in August. That was higher than expectations, according to a Reuters poll. It was also the highest reading since January 2008.

Last week's uneven economic news suggests that this economic recovery may look like the printout of an EKG.

Data as of 9/25/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.2%	15.6%	-13.9%	-7.7%	-1.1%	-2.0%
DJ Global ex US (Foreign Stocks)	-1.7	34.2	-4.9	-3.4	5.8	2.0
10-year Treasury Note (Yield Only)	3.5	N/A	3.9	4.6	4.0	5.8
Gold (per ounce)	-2.0	14.0	11.6	19.3	19.4	13.4
DJ-UBS Commodity Index	-3.3	5.2	-31.2	-7.8	-3.9	3.0
DJ Equity All REIT TR Index	-5.7	15.5	-28.1	-12.5	1.5	9.7

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.

ONE OUTCOME OF THE FINANCIAL CRISIS may be that we have to "live with messiness." Instead of a neat and tidy explanation for everything that happens in the markets, it may turn out that humans are sometimes irrational and, as emotional creatures, we occasionally let fear and greed cloud our financial decisions. After witnessing the current financial crisis, the tech stock bubble and burst from a decade ago, and numerous other financial storms over the past 20 years, it seems that when it comes to money, humans are still working through their issues!

In a very interesting September 2 *New York Times Magazine* article, Nobel Prize winner and liberal economist Paul Krugman discussed the development of economic thought over the past 230 years and how the current financial crisis has thrown economic theory into disarray. Without getting into his political leanings, Krugman makes a case that almost all economists, whether they be conservative or liberal, financial or macroeconomic, missed this crisis. Despite their impressive-looking mathematical formulas and hundreds of years of history, economists, in general, failed to predict the size and timing of our current worldwide maelstrom, and, worse yet, were generally blind to the idea that a catastrophe of this size could even happen in this (enlightened) day and age.

Krugman says economists, "Will have to acknowledge the importance of irrational and often unpredictable behavior, face up to the often idiosyncratic imperfections of markets and accept that an elegant economic 'theory of everything' is a long way off." In short, he says we have to "live with messiness."

From a practical standpoint, as an advisor, it reiterates the importance of knowing that the financial markets are not perfectly rational and that they do not always behave in the way that econometric models predict. One could argue that changes in the financial markets are simply a reflection of the sentiments, fears, dreams, and hopes of us – the market participants. The markets are not separate from us – they are us!

Since we humans are, well, human, then the markets may behave in a way that reflects human behavior and that can get quite messy. Some of us are rational beings while others tip the scale in the other direction. Knowing this helps us remain aware and on guard for extreme movements in the markets. We can't guarantee that we'll always be on the "right" side of extreme market movements, but you can be confident that we will sure try.

Weekly Focus – Think About It

"He who obtains has little. He who scatters has much."
-- Lao Tzu

Best regards,

Jim

Feel free to visit our website at:

www.franklin-group.com

Our Wealth Management users can login under the "Client Center" tab.

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 MML Investor Services Inc. Member FINRA/SIPC.

* **These views are those of PEAK, and not the presenting Representative or the Representative's Broker/Dealer, and should not be construed as investment advice.**

* 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.

* Past performance does not guarantee future results. Due to ongoing market volatility, current performance may be more or less than the results shown in this white paper.

* To unsubscribe from the "Weekly Market Commentary", please reply to this e-mail with "Unsubscribe" in the subject line, or write us at Franklin Financial Group, 11350 McCormick Rd. EPIV Ste.200, Hunt Valley, MD 21031.

* Compliance Number: CRN201109-126313