

Weekly Commentary

November 16, 2009

The Markets

Can Sir Isaac Newton's first law of motion help explain the continuing surge in the stock market?

In 1686, the great mathematician and physicist first presented his three laws of motion. The first law stated that, "Every object will remain at rest or in uniform motion in a straight line unless compelled to change its state by the action of an external force." Well, some unknown "external force" compelled the stock market to change its downward spiral in early March and since then, it's been up, up, and away.

Last week, the S&P 500 index rose another 2.3%, stopping just shy of the 1,100 mark. Better than expected earnings from companies such as Disney and Abercrombie plus more merger and acquisition activity (Hewlett-Packard agreed to buy 3Com at a large premium) helped keep the market in upward motion. Gold continued its fabulous run and finished the week with its ninth gain in the past 10 trading days, according to Associated Press. And, the U.S. dollar became cheaper last week against most of its major counterparts, partly due to reports showing other countries are recovering faster than the U.S., according to Bloomberg.

We are keeping our eyes and ears open for early signs of an "external force" that may change the upward course of the markets. In the meantime, enjoy the ride.

Data as of 11/13/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.3%	21.0%	25.2%	-7.6%	-1.6%	-2.4%
DJ Global ex US (Foreign Stocks)	2.3	39.0	48.3	-4.3	4.5	1.5
10-year Treasury Note (Yield Only)	3.4	N/A	3.8	4.6	4.2	5.9
Gold (per ounce)	0.7	26.9	54.7	21.0	20.3	14.3
DJ-UBS Commodity Index	0.2	12.3	6.6	-7.7	-2.8	3.7
DJ Equity All REIT TR Index	6.2	19.4	24.4	-12.6	-0.3	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.

WHEN IS MONEY A GOOD INVESTMENT? According to an article in the Economist magazine dated November 14, 2009 back in 1962, artist Andy Warhol completed a hand-drawn silkscreen painting titled "200 One Dollar Bills." True to its title, the massive 7½-foot wide painting depicted 200 one dollar bills reproduced in tones of black on grey, according to Bloomberg. The owner of the work, Pauline Karpidas, a London-based collector, purchased the painting with her husband back in 1986 for \$385,000. Last week, Ms. Karpidas sold the painting for – are you ready for this – an incredible \$43.8 million! And we all thought the dollar was depreciating.

From \$385,000 to \$43.8 million in 23 years translates into an average annual return of nearly 23%. Not bad for a painting. By contrast, the S&P 500 index rose at a modest-by-comparison average annual rate of approximately 6.5% from mid-1986 to today, according to data from Yahoo! Finance.

Weekly Focus – Think About It

“Money is neither my god nor my devil. It is a form of energy that tends to make us more of who we already are, whether it's greedy or loving.”

--Dan Millman

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.

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