



## Anderson, Riley, & Spoor, P.A.

Registered Investment Advisor

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The month of July experienced a tremendous upward movement in equity values. As we know the market anticipates the future economic climate and in July the investors with a positive 2010 perspective had their way. Stock prices were bid up as companies reported earnings that seemed to imply the worst was over with respect to the recession. In the second quarter of 2009 the GDP decline was around a negative one percent and that was a big improvement over the six and one-half percent decline in the first quarter. It certainly feels as though the economy is back from the brink and headed in the right direction, however, there is no shortage of headwinds. Unemployment will probably hit ten percent by the end of the third quarter; that represents a lot of families with severely restricted budgets. Until consumers have a great deal more confidence, meaningful economic growth will be difficult.

### **July 2009 Market Data (as of 7/31/09):**

- ❖ The Dow Jones Industrial Average:
  - Up 8.6% for the month of July. Up 4.5% year-to-date.
- ❖ The S&P 500:
  - Up 7.4% for the month of July. Up 9.3% year-to-date.
- ❖ Real estate investments, technology and financial stocks were strong contributors.
- ❖ Bond prices moved higher also, the Barclays Aggregate was up 1.2% in the month.

### **July Investment Activity – What We are Doing and Why:**

- ❖ During July we focused on reviewing portfolios and reducing our generally large cash positions while bringing sector allocations more in line with a “normal” market outlook.
- ❖ We increased our exposure to WMZ and some preferred stocks were added to many accounts.
- ❖ We also began investing in small cap value stocks via the IWN ETF.

### **CURRENT OPPORTUNITIES – Areas for Consideration:**

- ❖ Going forward cash positions will generally come down. We want to invest in emerging market equities via EEM (an ETF) and will wait for a better entry point.
- ❖ We are still very concerned about three primary factors in the economy: unemployment, interest rates and inflation. We briefly discussed unemployment earlier. Interest rates seem destined to go higher and the questions are when and how much. Last year people were very concerned about a \$500 billion deficit and what that would augur for inflation; this year the deficit will be \$2.0 trillion. The music has to stop at some point and we want to be sure we are already sitting in a chair when it does.

As always, please don't hesitate to contact our office if you have any questions or items to discuss.

Sincerely,

*Drew Swenson*

FYI – In order to help reduce paper & postage, if you would like to receive future copies of our monthly updates and quarterly newsletters via email please contact Lois Conger at lac@arsinvestments.com.