

July, 2010

No matter how much we wished it wouldn't happen, we all knew that the stock market couldn't continue on its upward path forever without taking a breather. It was not a question of "if" but of "when" we would have a market correction of 10% or more. Well, we don't have to wait any longer. During the 2<sup>nd</sup> quarter of 2010, with the S&P 500 ending up down 11%, we experienced the first negative quarterly returns since the 1<sup>st</sup> quarter of 2009.

It's very important to put this market decline in context, particularly if you've been listening to all of the doom and gloom in the news. From the March lows of 2009 to the April high of 2010, we saw a rebound in the S&P 500 of over 75%. Certainly we were recovering from an equally dramatic market drop, however we've learned that it is very normal for the market to take a breather on its way up. We don't see this decline as a precursor to a double-dip recession but rather as a transition period. In fact, we believe that the economy is moving from a recovery phase to sustainable growth and will experience the normal bumps along the way.

Of course, there are still challenges in the economy;

- many individuals remain unemployed,
- housing prices have not seen a significant turnaround,
- the oil spill is wreaking havoc along the Gulf coast,
- and every day we hear about the issues in the global economy.

It's going to take time for all of this to work through the system and we will likely experience additional market turmoil as this occurs. However, we are also seeing many positives;

- mortgage interest rates are at historic lows making homes more affordable,
- corporations are reporting higher profits and are directing that money to business improvements,
- and banks have started (slowly) lending again.

In conjunction with the LPL analysts, we continue to vigilantly monitor the economic conditions along with your investment portfolios, so that you remain well positioned to pursue your long-term financial goals. If you would like to keep up-to-date as economic conditions unfold, watch for our weekly Planning Pointers communication for links to the LPL analysts Weekly Market Commentary, Current Conditions Index, and Market Insights reports.

As always, we are available to answer any questions.

*Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly.*