



# ALL STAR FINANCIAL

Contact Information: [asf@allstarfinancial.com](mailto:asf@allstarfinancial.com)  
**Main Number** **952-896-3820**  
 Bob Klefsaas 952-896-3816  
 Maren Aipperspach 952-896-3817  
 Bruce Bonner 952-896-3818  
 Paul Sommerstad 952-896-3835  
 Nick Hohn 952-896-3823  
 Kris Collins 952-896-3829  
 Evan Klefsaas 952-896-3815  
 Valerie Moorhead 952-896-3826

## Weekly Market Wrap February 16, 2010

### Review - Week Ending 02/12/2010

Stocks broke through to positive ground again last week, with modest gains across 8 of 10 sectors, and small caps and technology stocks leading the way. The story for the week was the announcement of a potential European Union aid package for Greece sovereign debt. This is a short trading week with President's Day in U.S., Chinese New Year in Asian markets, and Carnival in Latin America.

### Commentary/Highlights

- **Congress** is expected to take up a jobs bill this week, though the scale of the bill has been reduced and will likely have minimal impact on overall jobs creation. The bill will largely be centered on tax credit incentives for business new hires.
- **The International Trade Deficit** widened unexpectedly last week to \$40.2 billion, narrowing had been expected. Though export growth remains, oil imports and demand surged again, could lead to a downward revision in the 4Q GDP results. On the plus side, consumer spending and retail chain sales showed modest gains above expectations.
- **China** raised reserve requirements by 50 basis points last week, to 16.5% for their large banks and 14% for smaller banks. The move was the second tightening of reserve requirements and was largely unexpected by the markets. China is seeking to keep inflation in check with its aggressive but modest monetary tightening.
- **India** also began its tightening cycle last month, as India posted its strongest industrial production growth in two decades, rising 16% in December. India also raised its bank reserve requirements but left interest rates unchanged.
- **The Eurozone** is not only worried about Greece and other sovereign debt concerns, but sustaining their economic recovery. The Eurozone expanded just 0.4% during the 4<sup>th</sup> quarter, less than half expected growth, and down considerably from 3Q. **Japan**, the other major developed economy had 4Q GDP growth of 4.6%, tentative signs that it's economy is recovering.
- **Corporate Bond** gains have stalled from last year's strong performance. Most bond managers expect modest gains this year from coupon yields and modest spread tightening.
- **Investors finally warming up to stocks.** Investors added \$2.7 billion to U.S. stock funds in January, reversing four-months of outflows, and added \$8.1 billion to international stock funds, the most since December 2007 according to Morningstar.
- **Surprise Surprise.** A new study by Stanford University suggests companies have a tendency to round to report their earnings in to the highest tenth of a cent, allowing them to routinely round up quarterly earnings to the highest penny.
- **REITS no bargain.** REITs have recovered with rise in the stock market, gaining 77% since last March's low. But bargains are scarce. According to Green Street Advisors, on average REITs are trading 21% higher than their net asset value (NAV). Historically REITs have normally traded at 1.3% premium to net asset value.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays Aggregate Bond	-0.52%	+1.30%	+1.30%
Barclays High Yield	-1.27%	-0.67%	-0.67%
Dow Jones Industrial	+0.92%	-2.82%	-2.82%
S&P 500 Index	+0.92%	-3.30%	-3.30%
Russell 3000	+1.34%	-3.05%	-3.05%
MSCI EAFE Index	+1.03%	-7.16%	-7.16%
MSCI EAFE Small Cap	+0.13%	-3.89%	-3.89%
NASDAQ Composite	+1.98%	-3.77%	-3.77%
Russell 2000	+3.03%	-2.24%	-2.24%