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Weekly Market Wrap April 26, 2010

Review - Week Ending 04/23/2010

Stocks had another week of gains last week, though foreign stocks lagged. Solid 1st quarter earnings reports and improving economic data continue to encourage investors. This week brings another full batch of earnings releases, along with the FOMC meeting on Wednesday. The headline item will be the Financial Reform Bill debates along with testimony of Goldman Sachs executives on Tuesday.

Commentary/Highlights

- **Greece formally asks for help**, triggering the joint EU and IMF aid package to the debt laden nation. The country still faces economic austerity programs and labor unrest, and the nation could be a test of Eurozone and Euro currency unity, with Portugal and Spain both facing high sovereign debt situations and potential aid needs as well.
- **TARP dollars returning to Treasury:** Last week General Motors (GM) announced they are repaying the balance of their \$6.7 billion in debt to the Treasury, and today the Treasury announced plans to start divesting their 27% ownership position in Citigroup, whose stock is up 40% YTD. GM still has \$52 billion of government equity stake outstanding, not to mention billions in unfunded union health plan obligations. Still, the progress is good and a public offering in the future could raise billions more for the Treasury.
- **Earnings Update:** About 35% of S&P 500 companies have reported 1Q earnings so far, with a full 80% having positive earnings surprises and 68% reporting positive revenue surprises. Consumer Discretionary and Technology have had strong positive surprises, with Financials, Energy, and Materials leading the overall profit growth. While earnings trends have been positive, 2011 earnings will only be 7-8% higher than the level we saw in 2007-before the recession.
- **Emerging Market Debt:** Despite the lingering concerns over sovereign debt in Europe and the U.S., emerging market debt continues to be upgrade across the asset class. Last week Russia priced \$5.5 billion in bonds, the 2nd largest EM debt offering on record, as the country took advantage of low yields and rising commodity prices for its assets.
- **Economic Update:** Most of the economic data last week was positive, with the Conference Board Leading Economic Indicators rising 1.4% in March, and revised up for January and February. Broad-based gains point to more hiring ahead. Existing home sales and mortgage applications rose ahead of the tax credit deadline, while jobless claims and mass layoffs both fell.
- **Fund Flows-Follow the Money:** Last week U.S. investors put \$5.5 billion into equity funds, as another \$35 billion flowed out of money market funds during the week. During the 1Q \$324 billion exited money market funds, with \$84 billion flowing into bond funds, \$1.6 billion into domestic equity funds, and \$20 billion into international equity funds.

| Index/Portfolio Returns | % Change Week | % Change QTD | % Change YTD |
|-------------------------|---------------|--------------|--------------|
| Barclays Aggregate Bond | -0.23% | +0.39% | +2.18% |
| Barclays High Yield | +0.26% | +2.07% | +6.79% |
| Dow Jones Industrial | +1.73% | +3.35% | +8.34% |
| S&P 500 Index | +2.15% | 4.22% | +9.86% |
| Russell 3000 | +2.36% | +4.87% | +11.11% |
| MSCI EAFE Index | -1.87% | -0.02% | +0.84% |
| MSCI EAFE Small Cap | -0.34% | +3.18% | +8.10% |
| NASDAQ Composite | +1.97% | +5.51% | +11.50% |
| Russell 2000 | +3.83% | +9.37% | +19.04% |