



ALL STAR FINANCIAL

Contact Information: 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
 Valerie Moorhead 952-896-3826

Weekly Market Wrap June 1, 2010

Review - Week Ending 05/28/2010

Euro zone concerns led to more volatility and another roller coaster week. The major indexes finished the week mixed, small and mid-cap stocks outperformed, with the Russell 2000 ending up 1.9% and the S&P 400 climbing 1.7%. The week also marked the last session in the month of May. The S&P 500 fell 8.2% in May, the stock market's worst monthly performance in more than one year.

Commentary/Highlights

- **Fitch Ratings lowered Spain's rating to AA+ from AAA** on May 28, capping off a month where the escalation of Europe's debt crisis forced the European Union and the International Monetary Fund to offer as much as 750 billion euros (\$920 billion) to countries in danger of financial instability. Standard & Poor's in April cut Greece's debt to junk and followed with reductions to ratings for Portugal and Spain.
- **Europe's Diverging Economies:** German unemployment fell more than twice as much as economists forecast in May as exports from Europe's biggest economy surged, bolstering the recovery. German exports surged 10.7 percent in March, the most in 18 years. Factory orders rose 5 percent in March, more than three times economists' forecast. Britain's manufacturing sector continued to expand at its fastest pace in 15 year in May, in contrast to a slowing expansion in the 16-nation euro zone. Unemployment in the euro zone rose to 10.1% from 10% during May, higher than expected.
- **BP's failed attempts to halt oil spill** have sent shares of the London based oil giant down 13% in early trading on Tuesday, **wiping out another \$19 billion of the oil giant's market cap.** BP engineers, company officials, and the U.S. government acknowledged over the weekend that it may not be possible to block the leaky well until August. The spill is now the worse environmental disaster in U.S. history.
- **American International Group** on Tuesday rejected an attempt by Prudential to lower the \$35.5 billion price tag the British insurer had offered for A.I.G.'s Asian unit two months ago, threatening the completion of the closely watched sale. In a statement noting A.I.G.'s announcement Tuesday, Prudential said that it had proposed reducing the deal's value to \$30.375 billion and that it was now considering its position. Proceeds would have gone to repay the government bailout of AIG. Analysts now expect the deal to fall through, with AIG proceeding with its original plan to take its Asian units public later next year.
- **The booming pace of China's manufacturing growth appeared to have slowed** somewhat in May, as an array of government steps to forestall overheating in the giant economy began to take effect, data showed on Tuesday. The purchasing managers' indexes released on Tuesday showed that expansion slipped from 55.7 in April to 53.9 in May, with readings over 50 indicating expansion. **Morgan Stanley's China economist noted in Tuesday's research: "We believe the moderation in P.M.I. in May should provide some comfort to the market, reducing concerns about economic overheating."**
- **A normal correction:** HSBC looked at the performance of the S&P 500, from June 1932 until March 2009, and studied how many days after the bull market started that the first correction began. HSBC found that on average it was 421 days after a bull market started that the first correction ensued. This time, HSBC says, the correction started on cue after 410 days.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays Aggregate Bond	-0.47%	+1.89%	+3.71%
Barclays High Yield	+0.35%	-1.33%	+3.23%
S&P 500 Index	+0.20%	-6.57%	-1.52%
Russell 3000	+0.58%	-5.91%	-0.32%
MSCI EAFE Index	+1.01%	-12.92%	-12.16%
MSCI EAFE Small Cap	+0.43%	-11.21%	-6.96%
MSCI Emerging Markets	+3.54%	-8.64%	-6.44%
NASDAQ Composite	+1.26%	-5.88%	-0.53%
Russell 2000	+1.93%	-2.36%	+6.29%