



# ALL STAR FINANCIAL

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## Weekly Market Wrap June 7, 2010

### Review - Week Ending 06/04/2010

Stocks fell again last week on a weaker than expected jobs report and ongoing Euro zone concerns. The unemployment rate fell to 9.7% but the 431,000 job gains came mostly from census hiring. There are no earnings releases this week and not much on the economic calendar until later in the week, volatility will likely remain with us for now.

### Commentary/Highlights

- **Markets focused on the weaker than expected jobs report on Friday.** This led to a sharp sell-off, which accelerated on political statements from Hungary, another peripheral Euro nation. The 41,000 in private sector jobs was disappointing, but it was just one month's number and could be subject to revisions. Unemployment rate fell to 9.7%, a good sign, and the length of work week, wage growth, and temporary hiring all showed gains – signs that improving labor trends should remain intact.
- **Economic update:** The other economic releases for the week were largely positive. Chain store sales saw its 9<sup>th</sup> consecutive gain and U.S. auto sales rose for the seventh month of the row. Overall consumer sentiment, retail sales, and semiconductor billings also showed gains.
- **Hungary** made headlines last week on comments from recently elected politicians. The comments rattled investors who are looking for any signs of more financial distress in Europe. European debt and budget constraint issues will be a long-term structural change in the region, resulting in lower potential growth overall for the region. **However, the lower euro has been a boost to German exports, which gained 2.8% during April.**
- **Potential Inflation Source?** China's factories are raising wages, and local governments are raising minimum wage standards. If China's currency appreciates as expected later this year, the cost of manufacturing in China could rise, adding some inflation to imported goods from this key manufacturing region. Credit Suisse's economist commented, "For a long time China has been the anchor of global disinflation, but this may be the beginning of the end of an era".
- **Investors watching Europe** will have more news this week; both the Bank of England and European Central Bank are making interest rate decisions on Thursday. Also, Portugal is expected to vote on their austerity budget.
- **The Bank of Canada** became the first G7 nation to raise interest rates, raising its interest rate from 0.25% to 0.50%. The BOC refrained from indicating any more hikes and withdrawal of stimulus due the uncertainty on international outlook.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays Aggregate Bond	+0.51%	+2.41%	+4.23%
Barclays High Yield	-0.04%	-1.37%	+3.19%
S&P 500 Index	-2.22%	-8.65%	-3.70%
Russell 3000	-2.46%	-8.23%	-2.77%
MSCI EAFE Index	-1.44%	-14.17%	-13.43%
MSCI EAFE Small Cap	-0.58%	-11.73%	-7.52%
MSCI Emerging Markets	-0.35%	-8.96%	-6.77%
NASDAQ Composite	-1.68%	-7.46%	-2.20%
Russell 2000	-4.17%	-6.43%	+1.82%