



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 August 2, 2010

Review - Week Ending 07/30/2010

Stocks finished the week flat and mixed, but the S&P 500 Index finished up 6.9% for the month of July, erasing much of last quarter's losses. Earnings reports continue to be better than expected from both a bottom line and revenue standpoint, though revenue growth remains modest. This week we get more profit reports and the broad readings on the ISM Manufacturing and Service sectors.

Commentary/Highlights

- **Economic Update:** Last week we learned that the revised 2Q Gross Domestic Product (GDP) was 2.4%, less than the original 2.7% estimate. 1Q GDP was revised up to 3.7% from 2.7%, so the combined first half growth rate was slightly better than original estimates. The Fed Beige Book reported that "economic activity continued to increase", though several Districts reported that improvements have moderated or stalled.
- **Stimulus Light:** A \$30 billion bill to support small business lending and provide job hiring tax breaks for small businesses is headed towards legislation. According to the Bureau of Labor Statistics, companies with fewer than 250 employees account for nearly half of all private sector employment.
- **The Fading American Dream:** The rate of home ownership in the U.S. could fall to 62% by 2012, the lowest figure in 50 years, according to recent industry estimates. The rate of ownership has been in decline since the peak of the housing bubble in 2006.
- **China's Growth is Slowing:** The HSBC purchasing manager index showed that Chinese manufacturing slowed again in July, with a similar government index also showing slowing, though still in expansion. China's central bank said the slowdown in growth in the world's third-largest economy will likely stabilize, helping the nation avoid a slump during the second half of the year.
- **Japanese Style Deflation?** Federal Reserve Bank of St. Louis President James Bullard noted that the threat of Japanese-style deflation has increased and that the Fed may need to combat deflation instead of inflation in the months ahead. Most economists view deflation as low probability, but still a risk if the economy should falter again.
- **Small Caps to Keep the Lead:** Small cap stocks have led the market this year, both in the domestic and foreign equity markets. Will this leadership continue? Credit Suisse notes that consensus estimates for S&P 500 companies expect 15% earnings growth in 2011, while S&P 600 Small Caps are expected to grow earnings by 32%.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays Aggregate Bond	+0.54%	+1.07%	+6.46%
Barclays High Yield	+0.67%	+3.56%	+8.23%
S&P 500 Index	-0.07%	+6.85%	-0.27%
Russell 3000	-0.11%	+6.94%	+0.47%
MSCI EAFE Index	+1.51%	+9.48%	-5.00%
MSCI EAFE Small Cap	+1.63%	+8.63%	+0.92%
MSCI Emerging Markets	+1.08%	+8.33%	+1.65%
NASDAQ Composite	-0.65%	+6.90%	-0.64%
Russell 2000	+0.06%	+6.87%	+4.79%