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Weekly Market Wrap August 9, 2010

Review - Week Ending 08/06/2010

Stocks firmed across the board last week, led by gains in international equities, with bond markets easing out modest gains as well. Corporate earnings reports remain solid and economic reports have been stable-moderating and mixed, but not falling off the cliff either. FOMC meeting on Tuesday highlights the week with the announcement closely watched by market participants.

Commentary/Highlights

- **Federal Reserve Meeting:** Recent positive market actions indicate they are expecting some action or announcement from the Fed that will help bolster the economy in the short-term. No announcement could trigger some market disappointment. Money managers are divided over whether the Federal Reserve's post-meeting policy statement will hint at further easing-50% of managers surveyed do not expect any hint, while 48% expect the statement will contain one according to a recent survey.
- **Are Investors Chasing Returns Again?:** Long-term government bonds up 15.5% year-to-date and bond funds have seen inflows \$140 billion for the year. Gold is up 9.3% year-to-date, and has investor inflows of \$7.4 billion for the year.
- **Economic Update:** Both ISM Manufacturing and Service Sector Indexes remain in expansion mode, but Personal Income was flat last week, Factory orders fell, and Unemployment remained high at 9.5%.
- **JP Morgan's Warning:** JP Morgan's weekly thought of the week was the concern that rising interest rates may blindside investors. Bond funds have had 29 months of inflows and with the \$476 billion in flows almost mirroring the \$424 billion that went into stocks-just before the Tech Bubble burst! Things are not always as safe as they seem, but bond buyers seem to have an insatiable appetite right now.
- **China Serious About Energy Efficiency:** The Ministry of Industry and Information Technology quietly published a list late Sunday of 2,087 steel mills, cement works and other energy-intensive factories required to close by Sept. 30.
- **Dividends Back in Vogue:** Standard and Poor's reports that dividend paying stocks gained 7.65% during July versus 6.15% gain for non-dividend paying stocks. Year-to-date dividend paying stocks are up 4.53% versus a 1.46% gain for non-payers.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays Aggregate Bond	+0.28%	+1.35%	+6.76%
Barclays High Yield	+0.51%	+4.08%	+8.78%
S&P 500 Index	+1.85%	+8.82%	+1.58%
Russell 3000	+1.72%	+8.78%	+2.20%
MSCI EAFE Index	+3.29%	+13.09%	-1.87%
MSCI EAFE Small Cap	+3.21%	+12.12%	+4.15%
MSCI Emerging Markets	+2.03%	+10.53%	+3.72%
NASDAQ Composite	+1.50%	+8.50%	+0.85%
Russell 2000	-0.01%	+6.86%	+4.77%