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Weekly Market Wrap August 30, 2010

Review - Week Ending 08/27/2010

Stocks declined modestly for the week despite closing with a strong gain on Friday. This week brings another week of focus on economic data-which has generally been softening lately. Featured releases include the Fed Beige Book and the final employment report before heading into the Labor Day Holiday.

Commentary/Highlights

- **Economic Update:** Economic releases continue to show an economy that is struggling to maintain growth achieved over the last few quarters. Existing home sales fell 27% in July as the expiration of the first time homebuyer credits skewed the data. New home sales also declined 12%, falling to a record low level on annual basis. Durable goods ex-aircraft also declined and the final 2nd quarter GDP revision was taken down to 1.6%. The good news was a 31K decline in jobless claims and a fall in mortgage delinquencies for the 2nd quarter.
- **Kansas City Fed Economic Summit in Jackson Hole:** Fed Chairman Bernanke delivered the keynote speech for this global summit and comforted the markets on Friday with his pledge to continue to use the Fed's balance sheet to provide support for the economy. But the consensus is growing among economists that the Fed has already done all it can do and now further responsibility to move the economy resides with the White House and Congress-who appear to be largely gridlocked. The Obama Administration once again urged the passage of a \$55 billion small business assistance bill which has been held up in Congress.
- **M&A News:** Healthy corporate balance sheets have heated up merger and acquisition activity, providing some support for stock markets while the economy languishes. Sanofis Aventis bid \$18.5 billion for biotech leader Genzyme, which Genzyme dismissed on Monday. Meanwhile Hewlett Packard and Dell continue to up their bids for cloud storage company 3 Par.
- **Japan Central Bank Emerging Meeting:** The Bank of Japan held an emergency meeting focused on halting the rise of the yen. Japan's export based economy has been hurt by the 10% appreciation of the yen year-to-date. The BOJ is also looking at ways to increase domestic demand for their aging economy.
- **Let's Talk About Stocks:** That's what Franklin Resources CEO Greg Johnson wants to do. "We are going to keep talking about equities", said the head of the Franklin Templeton fund company. Johnson said he was concerned investors were putting "too much" money into bonds, whose price falls when interest rates rise, without realizing the risks involved. During the first half of 2010, 98% of all money that Franklin took in went into bonds, while just 2% went into equities.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays Aggregate Bond	-0.11%	+1.78%	+7.21%
Barclays High Yield	-0.08%	+3.54%	+8.22%
S&P 500 Index	-0.62%	+3.64%	-3.26%
Russell 3000	-0.48%	+3.45%	-2.80%
MSCI EAFE Index	-0.18%	+6.21%	-7.84%
MSCI EAFE Small Cap	-0.12%	+5.32%	-2.16%
MSCI Emerging Markets	-1.79%	+6.22%	-0.33%
NASDAQ Composite	-1.20%	+2.10%	-5.09%
Russell 2000	+0.99%	+1.36%	-0.62%