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Weekly Market Wrap December 28, 2009

Review - Week Ending 12/25/2009

Stocks were up 2-4% during the shortened holiday week as small caps and growth stocks led the way once again. Treasuries and government-backed securities retreated for the week, though high yield bonds continued to extend their long 2009 rally. Trading volume is expected to remain light during the last few trading days of 2009.

Commentary/Highlights

- **Shopping Spree?** Well, not exactly. However, initial reports from MasterCard have 2009 holiday sales increasing 3.6% over the 2008 numbers (though after adjusting for an extra shopping day in 2009, the increase is closer to 1%). Amazon.com and other online retailers experienced the biggest gains with many of them posting 15+% year-over-year gains, though the overall retail sales numbers are still below pre-2008 levels.
- **Shield Your Eyes When Looking at Bank Yields.** Bankrate.com noted that the average annual percentage yield on 6-month CDs now sit at 0.51%. Seven and thirty-day yields for money market funds also remained extremely low at 0.03%, which further illuminates why so many investors have been flocking to bonds and stocks.
- **Madoff Wasn't the Only Swindler:** Ponzi schemes were "unraveled" nearly four times as frequently in 2009, than they were in 2008 the Associated Press recently noted. More than 150 separate Ponzi schemes collapsed in 2009 (versus only 40 in 2008), though Bernie Madoff's fraudulent case is still the largest Ponzi scheme on record in the United States. Various regulatory agencies in the United States opened up far more fraud investigations in 2009, and the silver lining to all of this is that many investors are now more diligent when researching their investment opportunities.
- **Health Care Reform Passes Another Hurdle:** The Senate passed their \$871 billion health care reform bill on Christmas Eve and now it must be merged with the \$1 trillion house bill that was approved back in November. These bills are still scrutinized by most all Republicans in congress, and much debate will continue in the coming weeks.
- **Black Gold's Resurgence:** Oil closed the week over \$78/barrel as inventories continued to fall. The recent run-up in oil for the week was partially aided by extremely low trading volume around the holiday season as well.
- **Looking for Optimism? Check out the Slope of the Yield Curve.** The "steepness" of the yield curve reached an all-time high last week as the 10 to 2-year Treasury Yield spread touched 2.9%. A steep yield curve has generally pointed to improved economic growth along with encouraging banks to borrow at short-term rates and then lend at longer-term rates. This can also point to a stronger financial system, which is also a positive for the broad U.S. economy.

Index/Portfolio Returns	% Change Week	% Change QTD	% Change YTD
Barclays Aggregate Bond	-0.95%	+0.22%	+5.95%
Barclays High Yield	+0.33%	+5.75%	+57.55%
Dow Jones Industrial	+1.89%	+9.00%	+23.63%
S&P 500 Index	+2.21%	+7.06%	+27.75%
Russell 3000	+2.44%	+7.04%	+29.72%
MSCI EAFE Index	+2.54%	+1.40%	+27.25%
MSCI EAFE Small Cap	+1.23%	-2.02%	+45.80%
NASDAQ Composite	+3.35%	+7.69%	+44.94%
Russell 2000	+3.87%	+5.25%	+28.86%