Weekly Commentary
June 22, 2009

The Markets

Summer officially began Sunday, but we doubt it will be the usual dull period for stocks. The economy continues to support our bullish posture on the stock market while the growing revolution in Iran holds a tremendous positive for us and other freedom-loving countries. Iran has been an extremely destabilizing influence on the Middle East. A change in the regime in Iran could have a dramatic impact on the world that might rival the collapse of the Soviet Union. The riots in Iran probably surprised most folks. However, when you have something like 17% unemployment in a country where 70% of the population is under age 30 and inflation is almost 24%, the ingredients for a dramatic change are in place.

Of course, no one knows how it will all end in Iran in either the near-or long-term, but the recent events there are at least positive. The economic data continues to improve. The June Federal Reserve Bank of Philadelphia business activity index increased to -2.2 from -22.6 in May. The May index of leading economic indicators jumped 1.2% following a 1.1% increase in April. Meanwhile, inflation news is very encouraging, which produced a rally in Treasury bonds, and thus lower interest rates. The May consumer price index increased only 0.1%, while the producer price index rose a modest 0.2%. Thus, yet another bear argument that big inflation was just around the corner has been removed. But don't worry, the bears will come up with some other reasons why the stock market is close to a major decline. The stock market will be in trouble when most of the bears turn bullish.

The stock market could get a nice boost near-term due to end-of-quarter window dressing by institutions. These folks are paid to manage stocks, not cash, and they don't want to show big cash reserves in their report to shareholders. We continue to feel positive about the stock market because of the improving economy and bullish supply/demand ratio for stocks. However, the outlook for economic growth in 2010 still appears to be only modest, due to the very soft labor market and a much more fiscally conservative consumer. We thus believe the stock market may be in for several more months of summertime, lazy market action unless there is some big, surprise event. Iran is one potential area of a major positive. Another is the growing revolution in our country against the giant spending programs by Congress and a big government move into the free enterprise system. Summertime yes, relax time, no.

Index Performance Statistics – June 22

Index	Close	Day Change	Day % Change	% YTD Change	52 Wk % Change
DJIA	8339.01	-200.72	-2.35	-4.98	-29.58
NASDAQ	1766.19	-61.28	-3.35	12.00	-25.97
S&P 500	893.04	-28.19	-3.06	-1.3	-32.24

Source: Bloomberg
**Price return — does not include dividends*

Mass Layoffs Match Record High

The number of mass layoffs by U.S. employers rose last month to tie a record set in March, according to government data released Tuesday that suggested the labor market has yet to stabilize. The Labor Department said the number of mass layoff actions - defined as job cuts involving at least 50 people from a single employer - increased to 2,933 in May from 2,712 in April, resulting in the loss of 312,880 jobs.

It was the largest loss of jobs connected to mass layoffs on records dating to 1995. While signs have emerged suggesting the 18-month-old U.S. recession has begun to ease, the labor market continues to deteriorate. The U.S. unemployment rate hit 9.4% in May, the highest in nearly 26 years, and economists expect a report on July 2 to show it climbed further to 9.6% this month. The economy has lost six million jobs since the recession began in December 2007. Economists polled by Reuters expect the economy will shed a further 368,000 jobs in June.

Last Week

The market remained stuck in the middle of its recent trading range. Early action in the week was decidedly to the downside led by a pullback in commodities as the Producer and Consumer Price indices failed to show strong signs of inflation. Hopes for a revival in consumer demand were dashed by a disappointing earnings report from retailer Best Buy. Financials faced S&P credit-rating downgrades on several major banks citing “less favorable” operating conditions as the government plans to increase regulation for the industry. Stocks regrouped on some constructive economic data—continuing jobless claims fell for the first time since January and a better-than-expected May Leading Indicator report. Through midsession on Friday, the market remained in negative territory for the week with the S&P 500 headed for its first weekly decline in a month.

Next week should be interesting as we get closer to putting the first half of 2009 on the books. On the economic front, we get several data points of interest. In particular, Wednesday will be in focus for investors—May Durable Goods Orders and the weekly crude inventory figures will be a preamble for the Federal Open-Market Committee (FOMC) meeting results and communiqué. Other releases of note next week include updates on home sales, weekly jobless claims, personal spending, and income and consumer sentiment.

Although earnings season does not begin for a couple of weeks, we will get a good number of releases in the last full week of the month. In the consumer arena, reports from retailers Walgreen's, Kroger, and Bed Bath & Beyond will be of interest. Over in technology, we will hear profit updates from Oracle, Jabil Circuit, Accenture, 3Com and handheld device maker Palm. Rounding out the list of companies scheduled to post earnings next week are Monsanto, Smith & Wesson and KB Homes.

Weekly Focus – Think about it

“Our economic success was not a matter of chance; it was a matter of choice.”
~ Bill Clinton

Best Regards,

Jim, Aaron & Angela
Kennedy Financial Services

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

* The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

* Bloomberg is the source for any reference to the performance of an index between two specific periods.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* This commentary should not e consider individual investment advice and you should consult your financial professional before making any investment decision.

* You cannot invest directly in an index.

* Past performance does not guarantee future results.

* The Markets prepared by Al Goldman, Chief Market Strategist, Wachovia Securities 6/23/09.

* Mass Layoffs: cited from Reuters 6/23/09

* Last Week cited from Dean Meehan, Market Analyst, Wachovia Securities 6/19/09.

* The opinions expressed here reflect the judgment of the authors as of the date the report and are subject to change without notice.

* This report was prepared by VSR Financial Services, Inc. Wealth Management Department.