Weekly Commentary
November 30, 2009

The Markets

It has been reported that the favorite family saying of Joseph P. Kennedy, father of former President Kennedy, was “when the going gets tough, the tough get going.” This comment has become almost commonplace in the English language, and it has often been good advice in the stock market. Back on March 9 of this year, it was very tough to have the courage to buy stocks, but some did and reaped the benefits of a 63% rally by the S&P 500. The fundamental news about the economy was still quite negative and pretty much stayed that way for four more months. By late summer the economic news and corporate earnings started to improve, and folks began to understand why the market rallied so sharply. Of course, a very bullish supply/demand ratio for stocks was a major reason. Basically, the “going” has gone from “tough” to “easy” during the last eight months, which creates a different situation for investors.

Now that the stock market is acting very well and the background fundamentals have improved, should investors take a somewhat different posture in the market? In our opinion, the answer is “yes,” and the posture we recommend is a more conservative approach to the market than eight months ago, and not to expect yet another giant leg-up anytime soon. Also, aggressive investors should consider using stop-loss orders under stocks that have appreciated substantially. It is not unusual for the stock market to rally sharply when a big bear market and deep recession end. Corporate earnings have improved, but not as much as the price of stocks so price/earnings multiples are up. This is also normal, but the big uncertainty is how well will corporate earnings be in 2010?

Economic data last week showed that the economy grew at a slower pace last summer than the government first estimated. Some early data suggests that the pace of economic activity may be slowing even more during the current quarter. The third-quarter, inflation-adjusted gross domestic product expanded at a revised 2.8% annual rate from the 3.5% rate reported a month ago. Also, October durable goods orders decreased 0.6%, following a 2.0% increase in September. Retailers did report strong shopper traffic on Black Friday, but we suspect much was due to big discounts. On the negative side, fear that Dubai will default on its debt conjured up concern that we are heading toward yet another global financial meltdown, but this looks more like a “tempest in a teapot.” The biggest economic problem is that business in general faces a very long list of uncertainties, such as the health care bill, cap and trade, new taxes and possible additional regulations. Also, smaller businesses currently have great difficulty borrowing money. We believe the economy will grow in 2010, but probably only modestly, and the stock market is already up big. While we believe the stock market will be higher in 2010, once “the going” gets easy, it is usually time to “get going” to a more conservative investment posture.

Index Performance Statistics – November 30

Index	Close	Day Change	Day % Change	% YTD Change	52 Wk % Change
DJIA	10344.84	34.92	0.34	17.87	26.94
NASDAQ	2144.60	6.16	0.29	35.99	53.40
S&P 500	1095.63	4.14	0.38	21.30	34.23

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

Dubai's Leader Tries to Calm Panicky Investors

Dubai's leader tried to calm panicky investors Tuesday as regional markets tumbled for a second day on news that the city-state's chief conglomerate needs to delay payments on its $60 billion debt for six months. Government-owned investment company Dubai World — the United Arab Emirates' main engine of growth — gave anxious investors the first bit of clarity they were hoping for on how it might meet its debt obligations. It said it had begun discussions with creditors on $26 billion of its debt that would include restructuring about $6 billion.

The conglomerate is involved in international projects from Gulf banks and ports in 50 countries to luxury retailer Barney's New York and a grandiose six-tower hotel-entertainment complex in Las Vegas. Its potential for a debt default sent jitters through world markets on concerns of new setbacks for Dubai World's large international bank creditors just as they are recovering from the global financial crisis.
Dubai is one of seven highly autonomous statelets that make up the United Arab Emirates and the crisis has sent the UAE's two biggest markets into a tailspin. The Dubai Financial Market sank another 5.61 percent on Tuesday after plunging 7.3 percent on Monday and Abu Dhabi's bourse closed down 3.57 percent following an 8 percent slide a day earlier.

Dubai's ruler, Sheik Mohammed bin Rashid Al Maktoum, tried to reassure investors in his first public statement about Dubai World's debt crisis.
"Our economy is strong and solid and consistent," he told Al-Arabiya satellite television, adding markets were overreacting because of "a lack of understanding about what is happening in Dubai." He did not elaborate.

Last Week

This week investors listened to the music played at the corner of Broad and Wall for subliminal messages to help determine the market's future direction. Initially, the song appeared to be a bullish one as stocks rose after existing home sales came in better than projected. The market quickly changed its tune on Tuesday, following a disappointing personal consumption report and a downward revision to third-quarter GDP. Stocks were also driven lower because of a decline in the financials on speculation that banks may need to raise additional capital and the number of troubled institutions in the U.S. rose to a 16-year high in the third quarter.

However, stocks were able to trim Tuesday's losses after the release of the FOMC minutes showed the Fed lowered their 2010 fourth-quarter unemployment forecast. The Fed also said it would keep rates low for an extended period but added the warning that its accommodative stance could lead to "excessive risk-taking in the financial markets." Over in bond land, Treasuries gained on the dovish Fed comments and the warm reception of the record $42 billion sale of 5-year notes. Gold continued to hit the high note as the yellow metal ascended to record levels while the dollar extended its decline.

On the earnings front, the retailers will have a noticeable presence on the stage. This is partially because most companies in the sector end their fiscal year in January. The other reason for interest in reports by Guess, Staples, Aeropostale, Jo-Ann Stores and Big Lots is to see whether they will provide additional insight into consumer habits after this week's disappointing personal consumption report. Over in tech, companies due to post profits include Marvell, Novell, and Shanda Interactive. In the financials, visitors from the Great White North come to town with quarterly earnings from Canadian Imperial, Toronto Dominion and the Royal Bank of Canada. Also bringing an international flavor to earnings next week will be German diversified manufacturer Siemens.

Investors will also have plenty of economic data for their listening pleasure next week. As is the case at the beginning of every month, particular attention will be paid to the release of the employment data on Friday. Current expectations are for nonfarm payrolls to show 123,000 jobs were lost in November and the unemployment rate to remain at the 10.2%. Leading up to the employment reports, there will be scheduled updates on manufacturing, housing and auto sales. It will also be a busy week on the Fed front. In addition to Wednesday's release of the Beige Book and speeches by Fed officials on the financial crisis, the Senate Banking Committee will hold a confirmation hearing on Thursday for Chairman Bernanke's nomination to a second term.

Heading into the final month of 2009, the S&P 500 is on track to finish the year with solid double-digit gains. As of Tuesday's close, the index was up 22.3%. Barring any unforeseen event occurring, equities could potentially end the year on a positive note. Historically, December has been the second best performing month for the index, according to the Stock Trader's Almanac.

Weekly Focus – Think about it

"More gold has been mined from the thoughts of men than has been taken from the earth."
~ Napoleon Hill

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, Wells Fargo Advisors 12/1/09.

*Dubai's Leader: cited from Associated Press Barbara Surk 12/1/09

* Last Week cited from Dean Meehan, Market Analyst, Wells Fargo Advisors 11/25/09.

* 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.