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Good Morning,

The US stock market may have decided “enough is enough” with the gloomy economic forecasts that appear in the press daily. Or maybe it was just the optimism of the beginning of a new trading month. Or maybe there was no logical reason whatsoever. However the result is analyzed, the +5.5% gain (total return) for the S&P 500 index last week was a welcomed change from the 8.4% drop of the prior 2 weeks. The tough work starts today as earnings season begins when numerous well known corporate names report their 2<sup>nd</sup> quarter 2010 profit numbers (source: BTN Research).

They may have been stating the obvious, but the International Monetary Fund (IMF) weighed in on the state of the global economic recovery last Thursday (7/08/10) with their conclusion that “in the near term, the main (global) risk is an escalation of financial stress and contagion, prompted by rising concern over sovereign (default) risk.” Even though the IMF was an early supporter of fiscal stimulus to allow the world’s economies to weather the credit crisis of 2008-09, they recently have changed their tune to that of encouraging fiscal consolidation (i.e., controlling spending) rather than the addition of new government stimulus dollars (source: IMF).

The House has already approved the compromise legislation for financial regulatory overhaul (a 237-192 vote on 6/30/10), but now the Senate gets back to work on the bill this week. The recent death of Democrat Senator Robert Byrd has made the bill’s passage more difficult. Chris Dodd, the Senate banking committee chairman and the co-architect of the compromise bill with Barney Frank is undeterred, stating “I am still very optimistic we will have the necessary votes” (source: Senate).

Notable Numbers for the Week:

1. **AFTER A BAD QUARTER** - The S&P 500 fell 11.9% (change of the raw index not counting the impact of reinvested dividends) during the 2nd quarter 2010, the 42nd calendar year quarter that has suffered **at least a 5% loss** since 1929. In the previous 41 quarters where such a decline occurred, the S&P 500 **bounced back** with a positive return in the subsequent quarter 29 times or **71% of the time**. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the US stock market (source: BTN Research, S&P).
2. **NOT A BABY ANYMORE** - “Baby Boomers” are traditionally defined as the **78 million Americans** born between 1946 and 1964. The oldest “boomers” will turn **65 years old** in 2011 (source: BTN Research).
3. **THROUGH THE ROOF** – Americans had an estimated 3 million **CT scans** (Computed tomography) performed in 1980. The total to be performed this year is projected at 75 million (source: New England Journal of Medicine).
4. **SCARED TO DEATH** - More than 3 out of every 5 Americans questioned (61%) between the ages of 44 to 75 admit they fear the prospect of **depleting their accumulated assets** during retirement more than they **fear death**. More than 3,200 Americans were surveyed for the poll (source: Allianz Life Insurance Company).

Regards,

Victor Melfa III

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