



## Market Overview – March 31, 2010

The beginning of a new, and hopefully much better, decade for investors got off to a good start as stocks on a global basis continued their steadier march upward. It has been quite a rebound from the market bottoms reached on March 9<sup>th</sup> of last year. The Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) bottomed at 6,547 on that date and, a little over a year later, closed the first quarter of 2010 at 10,857, gaining 65.8% (not including dividends) over this timeframe. The Dow is currently brushing up against the 11,000 mark, a level not seen since September 2008. Despite some mixed economic news, Greece debt issues, warnings of a market correction and a double-dip recession, stocks remain in a bullish mode, which illustrates that the market typically “climbs a wall of worry” as it looks out into the future for clearer signs of economic growth and stability.

Although the longer term results of the various stock market indices are still lackluster, the positive, double-digit results for the last 12 months give an indication of how much the markets have bounced back from their lows reached last March. The returns of some major market indices through the end of March are as follows.

Index*	Periods Ending 03/31/10			
	1-yr.	3-yrs. annualized	5-yrs. annualized	10-yrs. annualized
<i>Dow Jones 30 (DJIA)</i>	46.93%	-1.48%	3.34%	2.26%
<i>S&amp;P 500</i>	49.77	-4.17	1.92	-0.65
<i>NASDAQ (Mostly Technology)</i>	56.87	-0.33	3.70	-6.25
<i>Russell 2000 (Small Stocks)</i>	62.76	-3.99	3.36	3.68
<i>MSCI EAFE (International Stocks)</i>	54.44	-7.02	3.75	1.27
<i>Barclays Capital Long Treasury Bond</i>	-7.26	5.81	5.25	6.86
<i>Barclays Capital Municipal Bond</i>	9.69	4.56	4.58	5.58
<i>DJ Wilshire REIT (Real Estate Stocks)</i>	113.47	-11.99	3.38	11.38
<i>S&amp;P Goldman Sachs Commodities</i>	25.87	-8.78	-6.94	3.72

*Source: Morningstar- Past performance is no guarantee of future results. Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.*

There remains continuing signs that the U.S. and global economies are recovering. Figures showed that the U.S. economy grew at its fastest pace in six years during the final three months of 2009, with gross domestic product (GDP) increasing at a 5.6% annualized rate. The Federal Reserve closed most of the special liquidity facilities it created to support the markets during the worst of the credit crisis – this was seen as a sign that the Fed considers the economy in a recovery stage. The most important factor of any recovery, consumer spending, increased 0.4% in January and 0.3% in February<sup>(a)</sup>. Inflation continues to be a hot topic of discussion, but so far it remains tame at only a 2.1% annual rate through February. Additionally, the Institute for Supply Management’s readings for the manufacturing and service sectors for the first three months of the year indicated strong economic activity for both. The manufacturing reading has now shown growth for eight consecutive months.

Of course, when attempting to exit a deep recession, not all news across every sector will be positive. Although the unemployment rate has dropped to 9.7%, the consensus is forming that a “jobless” recovery is underway where efforts to find work will remain tough and the rate will slowly fall over time. One positive development: the economy added 162,000 jobs in March, the largest month-over-month surge in payrolls in nearly three years<sup>(a)</sup>. The housing market continued to bounce around with existing and new home sales showing signs of weakness, but pending home sales showing signs of life. We expect the housing market to perform better going forward as the economy recovers and mortgage rates remain historically low. The bottom line is that we will continue to see mixed results in certain areas of the economy, but the overall sentiment seems to be that the economic data will be more positive than negative in the near future.

If there is a lesson to be learned from the last twelve months, it’s that it is so important during volatile economic and market conditions to stay the course with your investment plan. We can appreciate that this can be extremely difficult to do when our emotions get the best of us, especially when the news is so bleak and the crisis is “different this time.” Statistics we have seen recently continue to prove that the average investor allows their emotions to drive their investment decisions. In a very low interest rate environment, substantially more dollars flowed into bond funds last year than stock funds. As we know, with proper portfolio rebalancing and available cash, this is exactly the opposite of what investors, like yourself, were doing. The “buy low, sell high” game plan of prudent investors will win out in the long run.

We appreciate your patience over the last few years of market turmoil. As always, please contact us to address any concerns you may have regarding your portfolio.

*(a) Source: Peter Montoya Inc. 1Q10 Market Overview*

*The Barclays Capital Long Treasury is the long (securities in the maturity range of 10 years or more) component of the Barclays Capital Treasury Index, which measure the performance of the US Treasury bond market, one of the largest and most liquid government bond market in the world.*

*The Barclays Capital Municipal Bond is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market. General obligation bonds, revenue bonds, insured bonds (including all insured bonds with an Aaa/AAA rating), and pre-refunded bonds, make up the four main sectors of the index.*

*The Dow Jones Wilshire Real Estate Investment Trust (REIT) Index is a subset on the Dow Jones Wilshire Real Estate Security Index (RESI) and only includes those REIT components of the DJW RES. The Dow Jones Wilshire Real Estate Investment Trust (REIT) Index is designed to serve as a proxy for real estate investment by institutions.*

*The S&P Goldman Sachs Commodities is a world production-weighted index that measures general commodity price movements, serves as a benchmark for investment performance in the commodity markets and inflation in the world economy, and is designed to be a “tradable” index.*

*The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.*

*The Russell 2000 is an unmanaged index of small cap securities, which generally involve greater risks.*

*The MSCI EAFE is an unmanaged index that is generally considered representative of the international stock market. International securities involve additional risks, including currency fluctuations, differing financial accounting standards, and possible political and economic instability.*

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