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MAKING A DIFFERENCE

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A Registered Investment Advisor providing Financial Consulting and Investment Management to Individuals, Families, Small Businesses, Non-Profits, Retirement Plans and Endowments.

Compensation by Fee-Only.

We bring over 39 years of experience in providing financial consulting services to clients, when these services can **make a difference, materially and emotionally,** in their lives

Glenn Woody
Certified Financial Planner

Confidence

Confidence, or lack thereof, may be the single most important ingredient in the climate surrounding the economy and the investment markets at any given point in time.

The confidence levels for both consumers and corporate America are important. There is even a monthly survey that attempts to measure the level of consumer confidence.

In both the economic/market downturns in the early 2000's and more recently in 2007-2009, it was widely stated that we were suffering from a lack of confidence. Obviously, our economic engine runs better when all involved have a high level of confidence.

Businesses are reluctant to increase their activity, which usually means taking some increased degree of risk, when they have a low level of confidence: confidence in the level of future taxes, health care costs, regulation, etc. Consumers will be willing to spend more when they are more confident about their future: employment, taxes, inflation, etc.

All that flows over into the investment arena in the form of what is called the "risk premium". When confidence is low, investors demand a higher return on investments for taking the increased risk to invest. That higher demand is a very real deterrent to investment activity and thus to the actual return of the markets.

Consumer sentiment (confidence) has been rising slowly over the last number of months. Markets will presumably continue to perform well to the extent that sentiment continues to improve.

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GWFC's Brochure

Being registered with the Securities and Exchange Commission as an Investment Advisor, we have been required, for years, to file and update what they call a Form ADV. It comes in Part I and Part II. Part I has traditionally been found online, Part II has remained in paper form, until this year.

Part II has been revised in it's format and is being referred to as our Brochure. It is now attached to the Part I online. All this can be found at: http://www.adviserinfo.sec.gov/(S(imbqqtovx4wtnaselu53kwwk))/IAPD/Content/Search/iapd_Search.aspx.

We are now also required to furnish each client with a copy of the new ADV Part II. If we have your email address, you will be receiving it shortly via email. We will be mailing a copy to those for whom we do not have an email address. Watch for it.
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PIMCO Secular Fourm

The PIMCO organization, based in Newport Beach, has as fine a process for dealing with the difficult issues of investing decisions as any I know.

Every year, for the last 40 years, they hold their Secular Forum in May. It is a time in which they make some observations regarding the next 3-5 years. Those views are then updated quarterly during the next year with their Cyclical Forums. Then, their Investment Committee meets four days a week to debate current events.

The format for the 2 1/2 day meeting is to select intriguing topics of the current time and invite an outside expert to speak and illicit discussion on each topic They spend 1/2 day each on the four topics, then the final 1/2 day is internal discussion to produce their Secular Outlook.

The 2011 version was held, on schedule, last month. They described a "bumpy journey to a new normal" and suggested:

- Developed economies will face sluggish (2%) growth and persistent unemployment.

- Emerging economies will have higher (6%) growth.

- Sovereign creditworthiness will continue to diverge—advanced countries deteriorating, emerging ones improving.

- Inflation pressures are likely to be higher than currently anticipated.

- Markets that are subject to two-sided tails that could well get fatter as the years pass.

Investment implications:

1) Returns will be limited, especially in advanced countries (like the U. S.)

2) Hedge against financial repression, inflation and currency depreciation.

3) Be selective within asset classes.

4) Provide significant agility to deal with the fatness of the two-sided tails.

5) Embrace the need to upgrade and "retool" a whole set of conceptual approaches that have served us well in the past but are less relevant going forward, and "in some cases, could even be dangerous".

To that last one, they added, "Ongoing changes in the global economy are still inadequately captured in the construction of traditional indices, asset allocation methodologies and investment guidelines."

Our observation is that none of the above is shatteringly new. They, and most of the professional investment world, have been talking about bumpy journeys and a new normal for several years now. The fact that emerging economies have stronger balance sheets than the developed ones is not new. The prediction that the U. S. dollar will continue to decline versus foreign currencies is rather universal.

We have been adjusting portfolios with these conditions and predictions in mind for some years now. Nice to have them confirmed.

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Market Highlights

June 2011

Positive:

- Retail and food services sales for April increased 0.5% from the previous month and 7.6% above April, 2010.
- Real gross domestic product increased at an annual rate of 1.8% in the first quarter of 2011.
- Personal income increased 0.4%, and disposable personal income increased 0.3% in April.
- Industrial production was unchanged in April after having increased 0.7% in March.
- Sales of new one-family houses in April were 7.3% above March, but 23.1% below April, 2010.
- Nonfarm business sector labor productivity increased at a 1.6% annual rate during the first quarter of 2011.
- The Index of Consumer Sentiment rose to 74.3 in May from 69.8 in April.
- The Consumer Price Index increased 0.4% in April. Over the last twelve months, the index increased 3.2%. The Producer Price Index rose 0.8% in April.

Mixed/Cautionary:

- Privately-owned housing starts in April were 10.6% below March and 23.9% below April, 2010.
- Nonfarm payroll employment rose by 244,000 in April, and the unemployment rate edged up to 9.0%. Private-sector jobs rose by just 38,000 in May , well below the gain of 190,000 economists had anticipated.
- New orders for manufactured durable goods in April declined 3.6%. This decrease, down two of the last three months, followed a 4.4% increase in March.
- The manufacturing survey conducted by the Institute for Supply Management showed the purchasing managers' index fell to 53.5 in May from 60.4 in April. Readings above 50 indicate expanding activity.
- The Leading Economic Index for the U.S. decreased 0.3% in April, the first decrease since June, 2010. The Coincident Economic Index increased 0.1% and the Lagging Economic Index increased 0.5% in April.

Informational:

- In the month of May, most asset classes were negative, with small-cap, growth and domestic off less than their counterpart asset classes.

FYI: Short-Term Observations

These comments are offered for your information and thought. They are short-term and tactical in nature. We invest for the long-term, three to five years plus. Don't confuse these short-term observations with what may be the best decisions for the long-run. Some even believe it is confusing, at best, and distracting, at worst, to involve short-term issues in long-term investing.

Economic Growth Slowing

There were several points of economic data announced recently that seemed to indicate the pace of recovery is slowing. There are hundreds of data points which professionals watch by which to gauge the trend and pace of economic development. Of course, they never all point in the same direction at the same time.

The multi-directional nature of data, while potentially confusing to observers, is a good thing for journalists and the media. It gives everyone ammunition by which to propound whatever direction and pace they want to promote. The media is always looking for something sensational; they can always find it in the short run.

But, in May much-watched indicators such as housing prices, manufacturing activity, and jobs all either dropped or slowed their rate of gain noticeably.

The markets reacted to a heightened fear that several of the European countries, Greece in particular, were on the brink of default and in need of a bail-out. The stock market had a nice one-day recovery on the last day of the month after an announcement that such needed help would be provided.

There are a number of market adages which seem to fall out of the barrage of market data that people gather and parse. "Sell in May and go away" is one. "As goes January, so goes the year" is another. And, "As goes the first day, so goes the month". These are catchy but none is reliable enough to produce an investment strategy.

We constantly remind clients of the folly of paying too much attention to the media.

Down for the Month

The returns as of the end of May for the major domestic stock indices were down for the month, but still up for the quarter, year-to-date and the 12-months.

The decline in the Dow was the worst since August and snapped a five-month winning streak.

Here are the results:

Dow Jones 30 Industrials

May	-1.87 %
Last 3 months	+ 2.81 %
Year to Date	+ 8.58 %
Last 12 Months	+ 24.00 %

Standard & Poor's 500 Index

May	-1.39 %
Last 3 months	+ 1.36 %
Year to Date	+ 6.92 %
Last 12 Months	+ 23.51 %

NASDAQ Composite

May	-1.36 %
Last 3 months	+ 1.90 %
Year to Date	+ 6.86 %
Last 12 Months	+ 25.61 %

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www.planretire.com