Named
one of
Wealth Manager
magazine's
"Top Dog"
Financial Advisors
For 2008

MAKING A DIFFERENCE

A Monthly Publication of
GLENN WOODY FINANCIAL CONSULTANTS, INC.

Vol. 20 No. 01 March 2010

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 38 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

The Political Climate

Along with doing a lot of reading and listening about the markets and the economy, we also hear a lot about the political climate in the country. We pay attention to this, not from a pure political stance but with regard to how developing political issues might effect us as investors and consumers.

So, we will share here a consensus of what we are hearing in that arena.

There has been a great deal written about bipartisanship, all of it along the lines of "there isn't any" . The conclusion is that we have absolute gridlock in Washington and that very little will get done between now and the end of the year.

With that as a backdrop, there is little if any substantive conversation regarding doing something about the deficit. One commentator makes a point that if you killed all discretionary spending (such things as the FBI, the Food and Drug Administration, support for housing, support for education) you would still have a deficit of about $1 trillion a year.

So, how do we make any improvement in the budget deficit? One way would be to grow our way out of the deficit. But, that is not likely. A second approach would be to look at the non discretionary part of the budget (the discretionary portion is only 17% of the overall U.S. budget). But, who in Washington has the stomach to go after entitlements such as Social Security and Medicare?

So, the third option has to do with taxes. It is felt by most that after the unsettling election results in Virginia, New Jersey and Massachusetts, virtually every politician in Washington has concluded that the subject of a tax hike is "radioactive" .

Ever since Obama's election, it has been a foregone conclusion that the Bush tax cuts would be allowed to expire at the end of 2010. Most observers now give that a 75% chance rather than the 98% previously. It seems likely that the cuts will be allowed to expire for single taxpayers making over $200,000 per year and families making over $250,000 per year.

The other subject of great debate has to do with when the Fed will begin to raise interest rates. It is generally felt that it will be late this year, maybe even into 2011, before the Fed makes any tentative move to raise rates.

So, we have no bipartisanship, total gridlock, no serious talk of reducing the budget deficit, and every politician running scared of their disgruntled constituents back home.

We live in interesting times.

Coaches Quotes

Here's some wisdom. Some of this can go beyond the game of football.....

"Football is only a game. Spiritual things are eternal. Nevertheless, Beat Texas ." Seen on a church sign in Arkansas prior to the 1969 game.

"After you retire, there's only one big event left....and I ain't ready for that." Bobby Bowden / Florida State

"The man who complains about the way the ball bounces is likely to be the one who dropped it." Lou Holtz / Arkansas

"When you win, nothing hurts." Joe Namath / Alabama

"Motivation is simple. You eliminate those who are not motivated." Lou Holtz / Arkansas

*"If you want to walk the heavenly streets of gold, you gotta know the password,
"Roll, Tide, roll!" Bear Bryant / Alabama*

**GLENN WOODY
FINANCIAL CONSULTANTS INC.**

<u>COSTA MESA</u>

**151 Kalmus Drive, Suite C-150
Costa Mesa, CA 92626
714.850.0534 (Phone) 714.850.0934 (FAX)**

<u>LA QUINTA</u>

**55-365 Riviera
La Quinta, CA 92253
760.771.3734 (Phone) 760.771.8434 (FAX)**
~~~~~~

**gwfc@planretire.com
www.planretire.com**

*"A school without football is in danger of deteriorating into a medieval study hall."
Frank Leahy / Notre Dame*

*"There's nothing that cleanses your soul like getting the hell kicked out of you."
Woody Hayes / Ohio State*

*"I don't expect to win enough games to be put on NCAA probation. I just want to win enough to warrant an investigation."
Bob Devaney / Nebraska*

*"In Alabama , an atheist is someone who doesn't believe in Bear Bryant."
Wally Butts / Georgia*

*"You can learn more character on the two-yard line than anywhere else in life."
Paul Dietzel / LSU*

"It's kind of hard to rally around a math class." Bear Bryant / Alabama

*When asked if Fayetteville was the end of the world. "No, but you can see it from here."
Lou Holtz / Arkansas*

"I make my practices real hard because if a player is a quitter, I want him to quit in practice, not in a game." Bear Bryant / Alabama

"I never graduated from Iowa , but I was only there for two terms—Truman's and Eisenhower's." Alex Karras / Iowa

*"My advice to defensive players: Take the shortest route to the ball and arrive in a bad humor."
Bowden Wyatt / Tennessee*

*"Always remember ..... Goliath was a 40 point favorite over David."
Shug Jordan / Auburn*
~~~~~~

Market Highlights

February 2010

Positive:

- The Conference Board of Leading Economic Index for the U.S. increased 0.3% in January, following a 1.2% gain in December, and a 1.1% rise in November. The Conference Board Coincident Economic Index has also improved modestly since July, 2009 .
- The unemployment rate fell from 10.0 to 9 .07% in January, and nonfarm payroll employment was essentially unchanged.
- Industrial production increased 0.9% in January after a gain of 0.7% in December.
- Nonfarm business sector labor productivity increased at a 6.2% annual rate during the fourth quarter of 2009 .
- Economic activity in the manufacturing sector expanded in January for the sixth consecutive month, the overall economy grew for the 9th consecutive month.
- New orders for manufactured durable goods in January increased 3.0% . This was the second consecutive monthly increase.

Mixed/Cautionary:

- Consumer confidence has remained largely unchanged during the past three months at much improved levels compared with a year ago. The halt in improvement has been due to the widespread recognition among consumers that job and income prospects will remain grim throughout the year ahead.
- The Consumer Price Index for January 2010 rose 0.2% . Over the last twelve months, the index increased 2.6%. The producer price index rose 1.4% in January . This increase followed a 0.4% advance in December and a 1.5% rise in November.
- Real (adjusted for inflation) gross domestic product increased at an annual rate of 5.9% in the fourth quarter of 2009 .
- Privately owned housing units authorized by building permits in January were 4.9% below the rate in December 2009 , but 16.9% above the January 2009 rate .
- Sales of new single family houses in January were 11.2% below the December 2009 rate and 6.1% below the January 2009 rate .
- Existing home sales dropped 7.2% in January , but remain 11.5% above the level in January 2009 .

Informational:

- Small cap stocks performed generally better than large cap during the month of February and domestic equity markets produced better results than international.

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.

A Pause and a Pull-Back

We have been saying for months that the U. S. stock market cannot possibly continue advancing at the same rate and pace that it has since the March 9, low.

A pause and small pull-back would be a natural and welcome event. Hopefully, the market would then continue advancing, but at a more sustainable pace. So far, that is what seems to be happening over the last few months.

The unemployment situation continues to dominate the media. It is their favorite tool with which to hype a negative. The U.S. residential housing market has shown some negative numbers in the last couple of months after beginning to show signs of improvement.

Interest and concern over when the Fed will raise interest rates also provides a great deal of ammunition for the media. The Fed meets next on March 16.

Consumer confidence has remained largely unchanged during the past three months at much improved levels compared with a year ago. The halt in improvement has been due to the widespread recognition among consumers that job and income prospects will remain grim throughout the year ahead.

As we mentioned on page one of this issue, Washington seems to be in rather total gridlock. While many think gridlock is good for the markets, allowing Congress to do less harm, at the same time we have some significant issues that need attention. The budget deficit is chief among those. It will take a class of elected officials with serious backbone to do the best for the country, rather than just get re-elected, to solve that problem.

Year-To-Date Still Negative

The month of February proved to be a positive one for the major U. S. stock indexes. But, that improvement was not quite enough to bring the year-to-date returns onto the positive side.

The recent lows occurred on March 9, 2009, so looking at the last 12-month return shows nearly exactly the magnitude of the rally from that low.

Here are the numbers:

Dow Jones 30 Industrials

February	+3.00 %
Last 3 months	-0.19 %
Year to Date	-0.99 %
Last 12 Months	+ 46.18 %

Standard & Poor's 500 Index

February	+2.79 %
Last 3 months	+ 0.73 %
Year to Date	-0.99 %
Last 12 Months	+ 50.20 %

NASDAQ Index

February	+4.24 %
Last 3 months	+4.34 %
Year to Date	-1.37 %
Last 12 Months	+ 62.41 %