



Dorion-Gray Retirement Planning Weekly Commentary June 21, 2010

Technically Speaking....

Conflicting U.S. economic reports continue to fuel volatility in the U.S. equity markets. Even though the U.S. economy continues to recover and expand, the expansion is showing many signs of decelerating. Housing starts are down, initial unemployment claims are up, and some prices show deflation.

The end of the home purchase tax credit has slowed new and existing home sales as expected. This has also slowed the purchase of furniture and appliances and retail sales at home improvement outlets.

Manufacturing has been a strong part of recovery to date as businesses moved to build up depleted inventories. The net result is production of goods is now rising twice as fast as consumption, which means inventories are likely building at a faster-than-desired rate. This could set up a sharper pull back in output later this year.

The weakness in final demand and continued strength in production is also evident in the inflation data. The Consumer Price Index has fallen for two months in a row and is now up just 2.0 percent over the past year.

Initial jobless claims continued to climb, increasing 12,000 to 472,000 during the week ending June 12. The four-week moving average of initial jobless claims decreased slightly to 463,500, but this is well above the level associated with job creation. This could indicate another month of lackluster job growth numbers reported on July 2.

The big news over the weekend was China's decision to un-peg the Yuan from the U.S. dollar. China's economy continues to expand at a drastically accelerating rate. The main drivers of China's move this weekend were domestic growth and inflation. It was also good politics ahead of the upcoming G20 meetings and the upcoming IPO (Initial Public Offering) of the Chinese Ag Bank which is currently expected to be the world's largest at between 23 and 30 billion dollars.

Stock and commodity markets around the world are at the time of this writing moving higher on this Chinese news because a stronger currency for the world's strongest sovereign balance sheet means

China has more purchasing power. For China to maintain the Yuan at its previously fixed rate against the dollar, China had to purchase U.S. dollars – often in the form of Treasuries. That need could possibly decline even though our need to sell Treasuries to finance our rapidly increasing debt will not.

The short term configuration suggest that the markets will continue to move higher toward the 1124/1134 levels (S&P 500) over the next several days. With expectations of a strong day today if a close is rendered above the 1128.50 level then it is likely that the market will continue toward the 1153 target area over the next 5 to 8 trading days. The volatility levels are likely to remain high, but the bias is clearly changing back to the upside.

The intermediate charts suggest there should be at least 1 to 3 more weeks of higher prices. If the market can close above the 1128.50 level on Friday then a rally toward the 1153/1187 levels will be signaled. There currently is only a 20 percent probability for the market to move above the 1187.50 level, but should it occur in the weeks ahead it would signal a retest of the 1220 highs.

The critical level on the downside is 1110.30 if this level is penetrated then a pattern failure will be signaled. There is currently only a slight probability for this to occur.

We will keep you informed!

The Markets

A hypothetical Doctor of Investments might say we are in an "EKG market."

We've experienced a series of headlines that have sent the market on a yo-yo ride since we dropped the New Year's ball in Times Square six months ago. Here are a few of the eye-raising events that have kept investors on an emotional rollercoaster:

- The S&P 500 index rose 15.2% between February 8 and April 23, according to data from Yahoo! Finance. Unfortunately, investor sentiment quickly turned and the index declined 13.7% between April 23 and June 7, according to data from Yahoo! Finance.
- On May 6, the "flash crash" sent the Dow Jones Industrial Average to an intra-day loss of nearly 1,000 points before making a massive recovery to end the day down "only" 348 points, according to Portfolio.com. At one point during the day, the Dow dropped 481 points in 6 minutes and then jumped 502 points just 10 minutes later.
- An April 20 explosion on a drilling rig sent as much as 60,000 barrels of oil a day flowing into the Gulf of Mexico making it the worst oil spill in American history, according to *The New York Times* on June 18.
- A sovereign debt crisis in Europe sent shivers through world markets and led the European Union to unveil a nearly \$1 trillion loan package designed to backstop weak countries from defaulting, according to *The Wall Street Journal* on May 10.
- Gold prices hit an all-time high of \$1,258 per ounce on June 18, "fueled by sovereign risk in the euro zone, historically low interest rates, and concern over the stability of paper currencies," according to CNBC on June 18.

Pop quiz time. After all these headline-grabbing events, in percentage terms, how much do you think the S&P 500 index has gone up or down since the end of last year? Brace yourself. The index has risen a whopping 0.2% between December 31, 2009 and last Friday.

The up-down EKG between the bulls and the bears has, like the U.S. versus Slovenia in the World Cup, ended in a draw. However, unlike the U.S. versus Slovenia, we still have six months left in this year to see who wins the yearly "Investment Cup."

Data as of 6/18/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.4%	0.2%	21.3%	-10.0%	-1.7%	-2.8%
DJ Global ex US (Foreign Stocks)	4.0	-6.8	16.1	-11.4	2.2	0.5
10-year Treasury Note (Yield Only)	3.2	N/A	3.8	5.1	4.1	6.0
Gold (per ounce)	3.0	13.8	33.5	24.2	23.4	16.0
DJ-UBS Commodity Index	2.7	-7.7	1.7	-10.0	-4.5	2.2
DJ Equity All REIT TR Index	2.4	15.1	70.3	-7.1	2.0	11.0

Notes: S&P 500, DJ Global ex US, Gold, DJ-UBS Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable or not available.

HELEN REDDY PROCLAIMED, "I am woman, hear me roar. In numbers too big to ignore," back in the early 1970s. Today, those words are coming true in education, the workplace, and on Wall Street.

In an article titled, "The End of Men" in the July/August 2010 issue of *Atlantic Magazine*, author Hanna Rosin reported some little known statistics about how far women have come in today's society. How many of these were you aware of?

- As of earlier this year, women now outnumber men in the U.S. workforce for the first time ever.
- Even though women outnumber men in the workforce, three-quarters of the jobs lost in this recession were lost by men.
- Thirteen of the 15 job categories projected to grow the fastest over the next decade are staffed primarily by women.
- Women now hold more than 50% of managerial and professional jobs, according to the Bureau of Labor Statistics.
- According to Rosin, women now earn 60% of master's degrees, about 60% of all bachelor's degrees, about half of all law and medical degrees, and 42% of all MBAs.
- A 2008 study by researchers at Columbia Business School and the University of Maryland looked at the top 1,500 U.S. companies from 1992 to 2006 and discovered that firms that had women in top positions performed better.

The rising level of women's educational attainment and workplace prominence will have a profound impact on the business and investment spheres in the years to come. As part of our "find a trend and throw yourself in front of it" philosophy, we will continue to monitor this long-term trend and the ensuing investment implications.

Weekly Focus – Think About It

“I shut my eyes in order to see.”
--Paul Gauguin

Best regards,

The Dorion-Gray Team

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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

* 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 DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.

* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* Commentary prepared by Dorion-Gray with information from various sources including Peak, market strategist R. Kendall, The Hudson Institute, EWI, Hedgeye Risk Management, and Classic Economic Principles.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Past performance does not guarantee future results.

* You cannot invest directly in an index.

* Consult your financial professional before making any investment decision.