



Dorion-Gray Retirement Planning Weekly Commentary July 6, 2010

Technically Speaking....

Last week the markets declined as expected falling to new lows for the year, the S&P 500 closed down 5% for the week. All 10 sectors declined in broad-based selling as approximately 95% of stocks within the S&P 500 closed in the red, with financials down 7.6%, basic materials down 6.8% and industrials slipping 6.5%.

The 10-year note yield fell below 3.00% for the first time in more than a year and the 2-year slipped below 0.60% to a record low. Long-term interest rates moved lower again this past week as negative sentiment regarding both stocks and the economy increased.

The latest employment data had so much noise in it as it showed a down tick to 9.5 percent. The reason for the downtick was simple - 685,000 people just gave up looking for work. If you put all of the folks that are unemployed and have stopped looking the number is more like 16.8 percent. The number of initial jobless claims for the week ended June 26 rose to 472,000, which was worse than the 458,000 claims expected. Continuing claims climbed to 4.62 million from 4.57 million. Productivity is still growing faster than our GDP which does not bode well for employment growth.

The release of the ISM Index* for June manufacturing came in at 56.2, which was worse than the 59.0 that had been forecasted, and is also the lowest level since January. Home sales for May plummeted 30.0% month-over-month in the worst decline in the nine years.

Consumer confidence* in June plunged to 52.9 from 62.7, well below the consensus estimate of 62.0.

The U.S. economy is still growing fueled by productivity, but the pace of growth is decelerating.

In the short term, we could see a slight bounce in the markets this week with a rally toward the 1035.40/1041.65 level (based on the S&P 500). The extreme upward target is the 1058/1085 levels. However, on the downside, should the 1016.10 level be penetrated (a 30 percent probability) then a decline to the 992 level will be signaled.

The intermediate charts suggest that there is major support at the 998/992 levels and is likely to hold. The configuration suggests should these levels be reached in the next couple of weeks that a new trading range between the 992/1058 levels will unfold.

We will keep you informed.

The Second Quarter in Review

Data as of 6/30/10	2nd Quarter	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-11.9%	-7.6%	12.1%	-11.8%	-2.9%	-3.4%
DJ Global ex US (Foreign Stocks)	-12.6	-11.2	9.2	-12.7	1.3	0.0
10-year Treasury Note (Yield Only)	3.8	N/A	3.5	5.0	3.9	6.0
Gold (per ounce)	11.5	12.7	33.1	24.1	23.3	15.8
DJ-UBS Commodity Index	-4.8	-9.7	2.6	-9.5	-3.8	1.8
DJ Equity All REIT TR Index	-4.1	5.4	53.6	-8.8	0.4	10.2

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.

STOCK MARKET RALLY FALTERS ON "MACRO" ISSUES

The stock market rally that began in March 2009 came to an abrupt halt in the second quarter. Despite excellent first quarter corporate earnings in the U.S., investors fretted about larger issues that could overwhelm the economy in the months ahead. These "macro" issues include unsustainable government debt levels in numerous countries, the unwinding of stimulus spending, possible deflation, persistently high unemployment, financial regulation, and a government-orchestrated economic slowdown in China, according to *The Wall Street Journal*, June 30. These concerns helped send the S&P 500 index to an 11.9% decline in the quarter.

Second Quarter Country Returns Based on the Dow Jones Global Indexes Ranked by U.S. Dollar Performance

Winners

Sri Lanka	25.7%
Peru	5.9
Philippines	5.8
Iceland	4.6
Indonesia	3.4

Other Notables

Greece	-39.3
Spain	-22.3
France	-20.5
Brazil	-14.8
U.K.	-14.0

Source: Dow Jones Indexes

ECONOMY SLOWS DOWN

A variety of economic reports over the past few weeks suggest the economy is slowing down. For example, home sales dropped, consumer confidence slumped, manufacturing growth cooled off, and new claims for unemployment insurance remained high, according to Bloomberg, July 3. However, let's not get too carried away. A slowdown does not necessarily mean we are headed for another recession.

Today's weak economy puts policymakers in a tough spot. Normally, fiscal and monetary stimulus is enough to jumpstart growth. Unfortunately, we've shot those two rockets and we still haven't reached escape velocity. If the economy rolls over from here, the question becomes, "Where do we find a third rocket?" According to Tony Crescenzi, strategist and portfolio manager at Pimco, CNBC.com, June 7, our third rocket might consist of time, devaluations, and debt restructurings. If fired, this third rocket could be painful for many Americans.

INTEREST RATES DIVERGE BASED ON RISK PERCEPTION

As the stock market declined, yields on U.S. government securities declined, too, as investors fled to the perceived safety of our government paper. During the quarter, the yield on the 10-year note declined from 3.8% to 3.0%, according to data from Yahoo! Finance. This decline in yield occurred even though the government issued more than \$300 billion in new debt during the quarter, according to *The Wall Street Journal*, July 1. It was a different story in the corporate bond arena. Yields on investment-grade corporate bonds and high-yield corporate (junk) bonds rose as investors began pricing in added economic risk. In a sign of growing risk aversion, the spread between yields on corporate bonds and government bonds rose significantly, as investors required a higher yield to hold the potentially riskier corporate bonds.

THE DOLLAR REMAINS POPULAR

Some naysayers think the dollar's days are numbered, but that countdown had yet to begin in the second quarter. The dollar index, a measure of the dollar's strength compared to a trade-weighted basket of six other currencies, rose a solid 5.9% in the second quarter, according to MarketWatch, June 30. Two major trends are apparently tugging at the dollar and in any given week, one trend seems to outweigh the other. The euro zone debt crisis helped spark a flight to the U.S. dollar and was a major reason why the dollar jumped sharply in the second quarter. However, toward the end of the quarter, disappointing economic numbers out of the U.S. and new austerity measures in the euro zone led some investors to rethink their dollar-haven strategy.

SUMMARY

The recovery from the recession hit a rough patch in the second quarter as several economic indicators turned soft and the stock market turned south. It's too soon to tell if this is the start of a new leg down or simply a pause that refreshes. Either way, we continue to do our best to help you reach your goals.

Weekly Focus – Think About It

“Psychology is probably the most important factor in the market--and one that is least understood.”

--David Dreman

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, Securities America, Inc., and Classic Economic Principles.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Technical analysis is provided based on our opinion of the overall prevailing market conditions but is not guaranteed and is subject to change without notice.

*The ISM Index is a monthly index released by the Institute of Supply Management which tracks the amount of manufacturing activity that occurred in the previous month. If the index has a value below 50, due to a decrease in activity, it tends to indicate an economic recession, especially if the trend continues over several months. A value substantially above 50 likely indicates a time of economic growth. The values for the index can be between 0 and 100.

*The Consumer Confidence Index (CCI) is a monthly release from the Conference Board. CCI is a unique indicator, formed from survey results of more than 5,000 households and designed to gauge the relative financial health, spending power and confidence of the average consumer. The Consumer Confidence Index is benchmarked to 1985=100; this year was chosen because it was neither a peak nor a trough.

* Past performance does not guarantee future results.

* You cannot invest directly in an index.

* Consult your financial professional before making any investment decision.