

### MARKET RETURNS

	<u>5/1 to</u> <u>6/11/10</u>	<u>Year-to-Date</u>	<u>Last 12 Months</u>		<u>5/1 to</u> <u>6/11/10</u>	<u>Year-to-Date</u>	<u>Last 12 Months</u>
DJIA	-7.2%	-2.1%	16.0%	MSCI EAFE	-12.2%	-13.8%	0.7%
S&P 500	-8.0%	-2.1%	15.4%	MSCI Emerging Mkts	10.1%	-7.3%	16.0%

**Correction** Our March 1, 2010 Market Commentary raised the issue that in a rising market, 5% to 10% corrections are not uncommon. As if on cue, the Dow Jones Industrial fell 12.4% from its closing high of 11,205 on April 26<sup>th</sup> to 9,816 on June 7<sup>th</sup>. Linda Duessel, equity-market strategist at Federated Investors, offers the following prediction: "Our view has been that we're going to probably have to suffer the whole summer before the market participants will look at it and say things have settled down over there" (in Europe as well as with the oil spill.) "All this uncertainty has to be suffered as we make our way through the summer months." We would add this pullback feels worse than it is, and prompts us to re-examine our bullish thesis. The most powerful fact supporting our case is the Federal Reserve. After their recent meeting, they noted "Economic conditions...are likely to warrant exceptionally low levels of the federal funds rate for an extended period." As we have said repeatedly, low interest rates are among the most potent fuels for a strong equity market.

**Large Caps Stocks are Cheap** We continue to marvel at how fund flows continue to favor bonds over stocks, but considering relative value, large cap stocks are cheap, bonds are expensive. Consider the dividend yield on these large cap companies: Microsoft 2.1%, Intel 3.1%, AT&T 6.6%, Verizon 6.7%, Merck 4.4%, Pfizer 4.8%, Eli Lilly 5.9%, Exxon 2.8%, Chevron 3.9%, Proctor & Gamble 3.1%, Wal-Mart 2.4%, Coca-Cola 3.4%, Pepsi 3.0%, McDonalds 3.2%, duPont 4.4%. Compare them to the 10-year US Treasury yielding 3.30% or the 30-year at 4.20%. Consider what Brad Tank, chief investment officer for fixed income at Neuberger Berman says, "In my time in the fixed-income business, about 30 years, rarely has high-grade fixed income been this risky." In "fixed income-speak" he is saying bonds are not yielding enough. Money market funds and bank deposits pay next to nothing. Nonexistent yield is among the reasons gold has rallied, as buyers reason that while it may pay nothing, it is as a store for value.

We are among the last people who would suggest buying a stock for its dividend. We like to say that relatively high dividends are the corporate equivalent of the pork chop in Rodney Dangerfield's joke, "When I was a boy, I was so ugly my mother had to tie a pork chop around my neck so the dog would play with me." Do not buy stocks solely for their dividends, which can be reduced or eliminated. A high dividend is often a sign of distress. Based on past dividends, BP's yield is 10.3%. But when broad market indices are trading at high dividend yields, a signal is being sent. We believe that message is large cap companies are cheap, bonds are expensive.

**Buy or Sell?** The tone of most Market Commentaries has been fairly bullish for equities. There will come a time when we express concern, maybe even bearishness. But just as this positive tone shouldn't prompt a flood of calls to "go all in" on your equity allocation; neither should a bearish commentary cause you to reduce your equity allocation. Our point is to find an allocation of cash, fixed income and equities you can be comfortable with regardless of our feeling for the markets or actual market movements.

*The views expressed in this commentary are those of Citizens Wealth Management and are subject to change at any time. They do not necessarily reflect the views of UVEST Financial Services or any other person in the UVEST organization. The commentary was prepared from sources believed to be reliable but no representation can be made as to its accuracy or completeness. For general information purposes only and not intended to provide specific advice to any individual. All indices are unmanaged and cannot be invested in directly. No forecasts can be guaranteed. Past performance is no guarantee of future results.*

Norwalk and Sandusky • 888.645.4121 • [www.CitizensWM.com](http://www.CitizensWM.com)  
Dublin and Urbana • 800.604.9368 • [www.CWealthManagement.com](http://www.CWealthManagement.com)

Securities are offered by and Investment Consultants are registered with UVEST Financial Services; member FINRA/SPIC. UVEST and Citizens Wealth Management are independent entities. **Not FDIC Insured - Not Bank Guaranteed - May Lose Value - Not Guaranteed by any Government Agency - Not a Bank Deposit**