



TANISTRY

WEALTH MANAGEMENT

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May 2010 Investment Newsletter: Monthly Summary

May witnessed a dramatic spike in capital market volatility, meaningful declines in global stock markets, and a flight out of risk assets into perceived safe havens. These events proved a rude awakening to many investors previously lulled into a state of complacency by rising markets and continued signs of economic recovery. The most significant manifestation of this wake-up call was the so called “flash-crash” on May 6. On this day, broad stock market indexes lost approximately 10% of their value intraday before recovering to more modest, albeit still material, losses.

The month began with Greece reaching a deal with other euro-zone countries and the IMF whereby up to \$133 billion would be made available to the fiscally challenged nation. Rather than appease investors, debate ensued as to the size and viability of this package as well as the potential for contagion to other countries such as Portugal and Spain. Just days later, the frenzy peaked with the aforementioned market drop. Recognizing the need for a more substantial financial foundation to the fiscal challenges and escalating panic, the European Union, euro-zone nations, and IMF then responded with a combined financial package of nearly \$1 trillion. This program’s goal is to shore up troubled euro-zone countries and lend support to their weakening currency. The European Central Bank also announced it would begin buying debt of troubled nations in the secondary market – an action referred to just days before as the “nuclear” option.

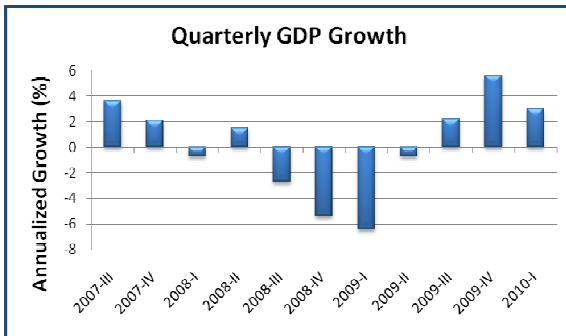
While the risk of near-term sovereign default has been reduced, debt problems are not ultimately solved by more debt. Additionally, the austerity measures currently underway in a number of countries will drive economies into recession and ultimately slow global growth. Capital market weakness throughout much of the month was a reflection of investors dialing down expectations for global growth. While European sovereign debt occupied headlines and investor attention, as shown below, the U.S. economy continued to deliver generally improving economic statistics. Furthermore, many investment professionals believe recent strong earnings and continued economic growth will ultimately support equity values.

May’s Economic Releases

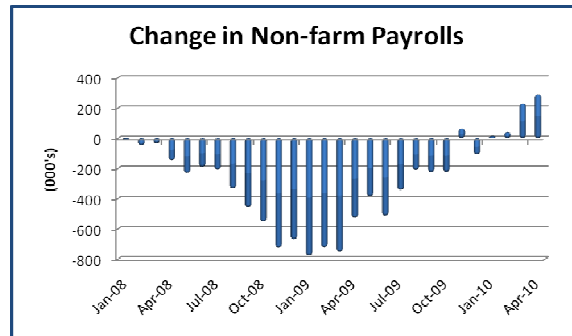
<u>General</u>	<u>Prior</u>	<u>Current</u>
GDP growth	5.6% (Q4)	3.0% (Q1)
Trade balance	-\$39.4 B (Feb)	-\$40.4 B (Mar)

<u>Employment</u>	<u>Prior</u>	<u>Current</u>
Initial jobless claims	474,000	460,000
Continuing claims	4.7 MM	4.6 MM
Nonfarm payrolls	230,000 (Mar)	290,000 (Apr)
Unemployment rate	9.7% (Mar)	9.9% (Apr)
Average weekly hours	34.0 (Mar)	34.1 (Apr)

<u>Consumer</u>	<u>Prior</u>	<u>Current</u>
Consumer confidence index (Conf. Board)	57.7 (Apr)	63.3 (May)
Retail sales growth (YoY)	4.6% (Feb)	10.6% (Mar)
Consumer credit	-\$6.2 B (Feb)	\$2.0 B (Feb)



Data Source: Bureau of Economic Analysis

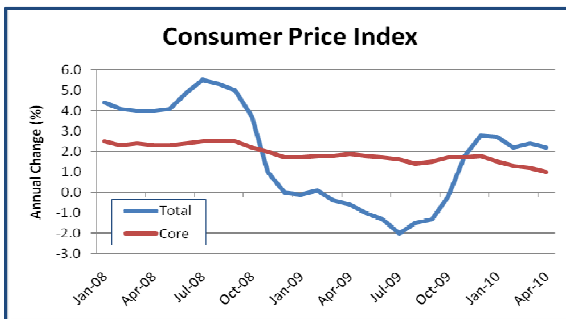


Data Source: Bureau of Labor Statistics

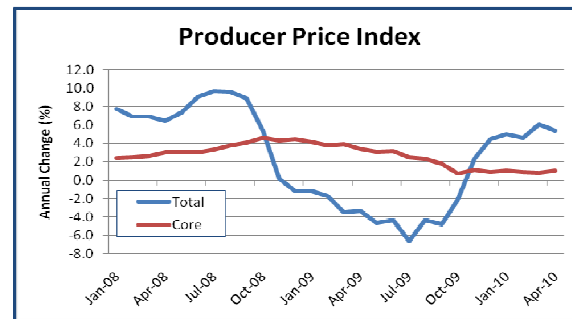
Manufacturing & Service	Prior	Current
ISM manufacturing index	59.6 (Mar)	60.4 (Apr)
ISM non-manufacturing index	55.4 (Mar)	55.4 (Apr)
Durable goods orders growth	0.0% (Mar)	2.9% (Apr)
Industrial production growth	0.2% (Mar)	0.8% (Apr)
Capacity utilization	73.1% (Mar)	73.7% (Apr)

Real Estate	Prior	Current
New home sales	439,000 (Mar)	504,000 (Apr)
Existing home sales	5.36 MM (Mar)	5.77 MM (Apr)
Case-Shiller home price index (YoY)	0.7% (Feb)	2.4% (Mar)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	2.3%/1.1% (Mar)	2.2%/0.9% (Apr)
Producer price index/Core (YoY growth)	6.0%/0.9% (Mar)	5.5%/1.0% (Apr)



Data Source: Bureau of Labor Statistics



Data Source: Bureau of Labor Statistics

Market Returns

The S&P 500 index lost 8.0% for the period and is now down 1.5% for the year. Developed international equity markets were challenged by sovereign debt concerns and U.S. dollar strength. The MSCI EAFE Developed Markets index was down 11.5%. Emerging markets fared slightly better than their developed counterparts with the MSCI Emerging Markets index down 8.8% for the month. Year-to-date, international developed and emerging markets have lost 12.4% and 5.5%, respectively.

In the fixed income market, the Barclays US Aggregate Index was up 0.8% for the month and the 10-year U.S. Treasury bond ended with a yield of 3.30%, down 36 bps for the period. For the year, the Barclays U.S. Aggregate has gained 3.7%. International bonds were down 1.6% for the month and 1.8% for the year.

Other than a push by gold to new highs, commodity performance this year has been weak. An aggregate drop of 7% for the month brought year-to-date commodity declines to about 10%



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