



Market Commentary November 29, 2010

The Markets

Interest rates are rising in the U.S. and that may actually portend good news for the economy.

Since a recent low of 2.38% on October 8, the yield on the 10-year Treasury note rose to a high of 2.91% last week, according to data from Yahoo! Finance. Similarly, yields on the 5-year Treasury rose from 1.04% on November 4 to a high of 1.56% last week.

Rising rates can be either good or bad -- the key is the reason behind the rise. For example, if rates are rising because of a lack of confidence in a country's ability to pay its debt obligations, such as is happening in Ireland and Portugal, then a rise in rates is a bad signal about the country's future. On the other hand, if rates are rising due to strong economic growth, then that could suggest happy days are on the way.

Now, nobody would argue that the U.S. is experiencing strong economic growth; however, there are some positive signs that are being picked up by bond investors and that's putting some upward pressure on bond yields, according to Bloomberg.

The recent good news includes weekly jobless claims, which fell last week to the lowest level since July 2008, according to MarketWatch; consumer spending, which rose for the fifth straight month in October, according to Bloomberg; and a better-than-forecast increase in consumer sentiment, which boosted the outlook for holiday-season spending at retailers, according to Bloomberg.

Rising rates also benefit savers because they receive a higher interest rate on their savings. But, just like eating too much pumpkin pie, a good thing can be taken to an extreme. If rates rise dramatically from here that would likely cause some economic indigestion. So far, we're not in any danger of that scenario.

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Data as of 11/26/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.9%	6.7%	9.0%	-5.5%	-1.1%	-1.3%
DJ Global ex US (Foreign Stocks)	-2.9	4.0	5.0	-10.1	3.2	3.2
10-year Treasury Note (Yield Only)	2.9	N/A	3.2	3.9	4.4	5.6
Gold (per ounce)	0.9	22.7	14.6	17.7	22.3	17.6
DJ-UBS Commodity Index	0.9	5.1	8.1	-7.4	-2.2	3.4
DJ Equity All REIT TR Index	1.1	22.9	32.9	0.3	2.4	11.3

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.

Weekly Focus – Think About It

“All the gold which is under or upon the earth is not enough to give in exchange for virtue.” -- *Plato*

Best regards,
Prestige Wealth Management Group

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- * This newsletter was prepared by PEAK.
- * 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.
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