



Weekly Market Commentary

February 21, 2012

The Markets

Valentine's Day is over, but there's still a "whole lotta love" swirling around the stock market these days.

The Dow Jones Industrial Average closed last week at its highest level since May 2008 while the S&P 500 is knocking on the door of its highest close in almost four years, according to *The Wall Street Journal*. The gains were driven by optimism that Greece will get another bailout and better-than-estimated data on jobless claims, manufacturing, and housing, according to Bloomberg.

Even though the market has been rising, potential party spoilers abound.

You may have noticed the last time you filled your car gas prices are on the rise again. In fact, CNBC reported gas prices are at a record high for this time of year. The report says gas prices could hit an all-time record high this spring.

Gas prices aren't the only thing on the rise. Tensions in Iran and the Middle East are stoking a rise in oil prices. Together, higher gas and oil prices could take a bite out of consumer and corporate wallets.

Over the weekend in Asia, China announced a change in its banking system reserve ratio in an effort to spur lending and economic growth. This monetary easing comes on the heels of a report that shows housing prices declined in 47 out of 70 major Chinese cities in January. Housing has been a strong economic engine for China for years and any slowdown there could cause problems.

Across the pond, new numbers show that Italy, Greece, Portugal, the Netherlands, and Belgium are now officially in recession, according to *The Wall Street Journal*. Even mighty Germany saw its economy slightly contract in the fourth quarter of 2011 compared to the third quarter.

Despite these negatives, the market seems to be climbing the proverbial "wall of worry." Whether it will scale this wall and stay on top or fail to reach the top and retreat remains to be seen.

Data as of 02/17/12	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.4%	8.2%	1.4%	19.9%	-1.3%	2.3%
DJ Global ex US (Foreign Stocks)	1.5	11.3	-10.2	18.1	-4.0	6.0
10-year Treasury Note (Yield Only)	2.0	N/A	3.6	2.7	4.7	4.9
Gold (per ounce)	0.7	9.4	25.0	21.2	20.8	19.2
DJ-UBS Commodity Index	0.6	3.6	-10.6	12.1	-2.7	4.9
DJ Equity All REIT TR Index	0.5	7.3	8.8	39.8	-2.2	10.8

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.

HOW MUCH INCOME WOULD YOU NEED to feel “rich?” Gallup recently conducted a poll and discovered that the median income needed by Americans to feel rich was \$150,000. That is three times the roughly \$50,000 median annual household income of Americans.

Probing a little deeper, the survey results revealed the following interesting points:

- 1) 15 percent of the respondents said they needed to earn \$1 million or more to feel rich while 30 percent said \$100,000 or less would make them feel rich.
- 2) Women said they needed \$100,000 per year to feel rich while men needed \$150,000.
- 3) College graduates needed \$200,000 to feel rich while non-college graduates needed \$100,000.

In a separate question, Gallup asked Americans how much net worth they would need to feel rich. The median response was \$1 million.

So there you have it – to feel rich in America the average American needs either \$150,000 in annual income or \$1 million in net worth.

Now, let's contrast that with our tax laws. The highest marginal tax rate starts when single filers or married couples filing jointly reach \$379,150 in taxable income. That's quite a bit above the median \$150,000 number that was reported by Americans to make them feel rich.

According to Gallup, “The question of the point at which someone becomes rich certainly has policy implications in the United States. Gallup finds Americans now about evenly divided on whether the rich, broadly speaking, should be heavily taxed.”

You can expect to hear a lot more about tax policy during the upcoming elections later this year.

Weekly Focus – Think About It

Did you ever notice that when you put the words “The” and “IRS” together, it spells “THEIRS?”

--Author Unknown

Best regards,

Yerba Buena Financial Partners

** 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.*

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

** The DJ/AIG 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 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.*

** 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.*

** This newsletter was prepared by PEAK.*

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