

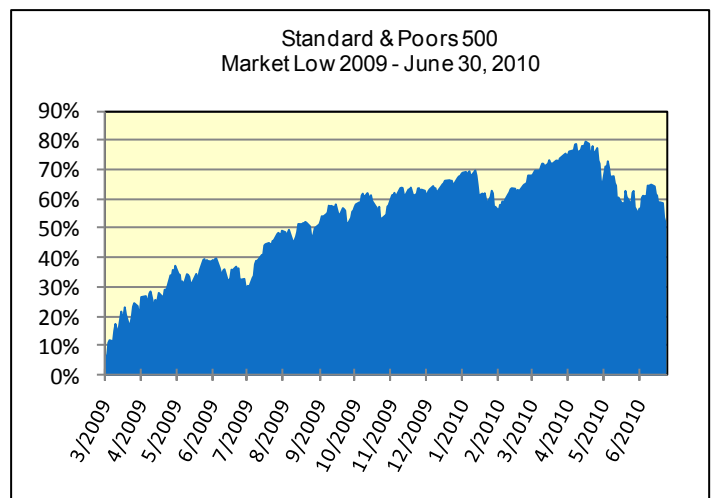
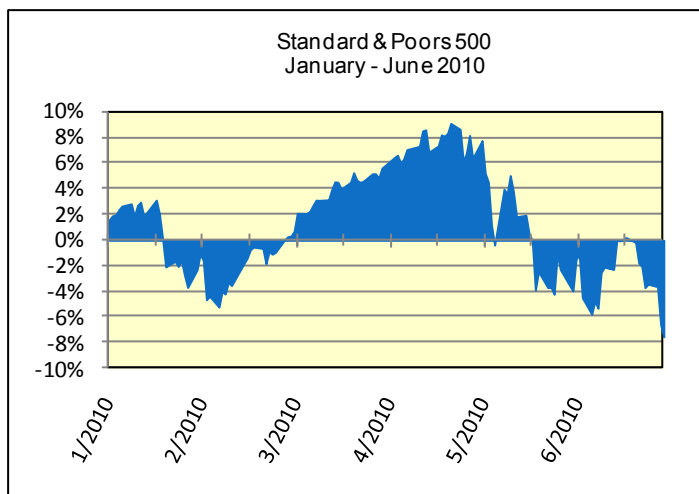
FIRST HALF REVIEW

As we pass the midpoint for 2010, let's take a look at what has happened so far.

STOCK MARKETS:

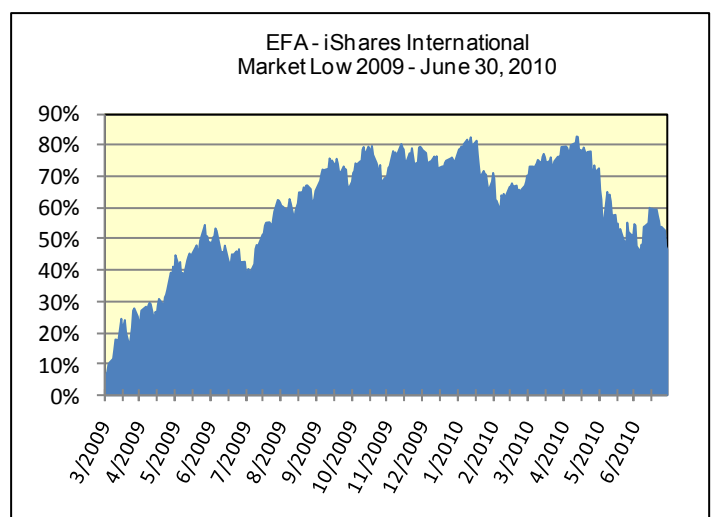
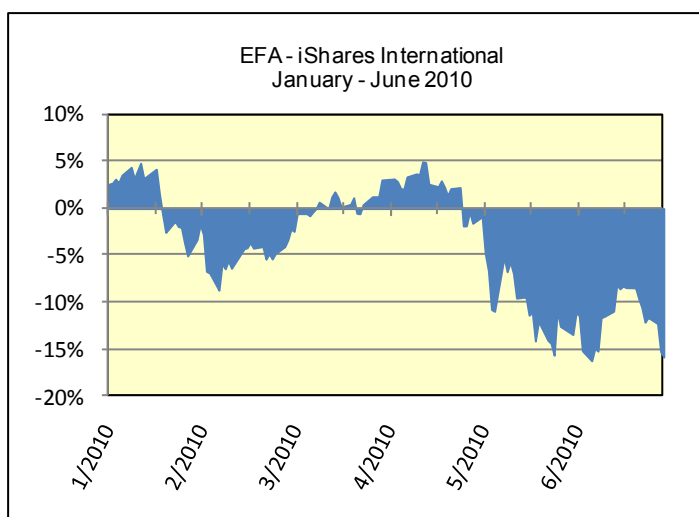
S&P 500:

The S&P 500 has experienced a great deal of volatility the first six months of 2010 with the index peaking in mid April, up 9.2% YTD but ending down 7.6% YTD through June 30. Looking back into 2009, the S&P 500 has risen 52% from the March, 2009 low. [1]



DEVELOPED INTERNATIONAL STOCKS:

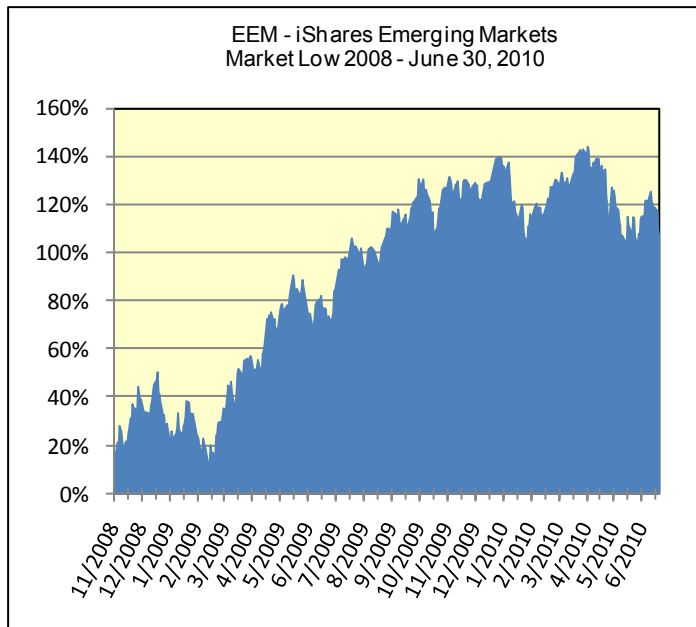
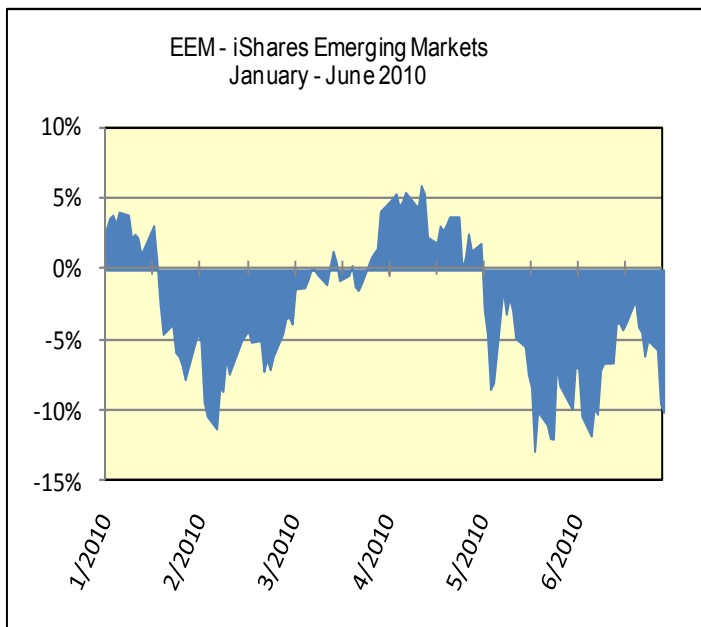
The same can be said of the EFA Index, representing developed international country stock markets. This index peaked in April, up 5.0% YTD but ended down 15.9% YTD through June 30. The index has risen 47% from its 2009 low. [2]



EMERGING MARKET INTERNATIONAL STOCKS:

Emerging market international stocks fared the same. The index peaked in April, up 5.5% YTD but ended down 10.1% YTD through June 30. This index has risen 107% from its 2008 low.

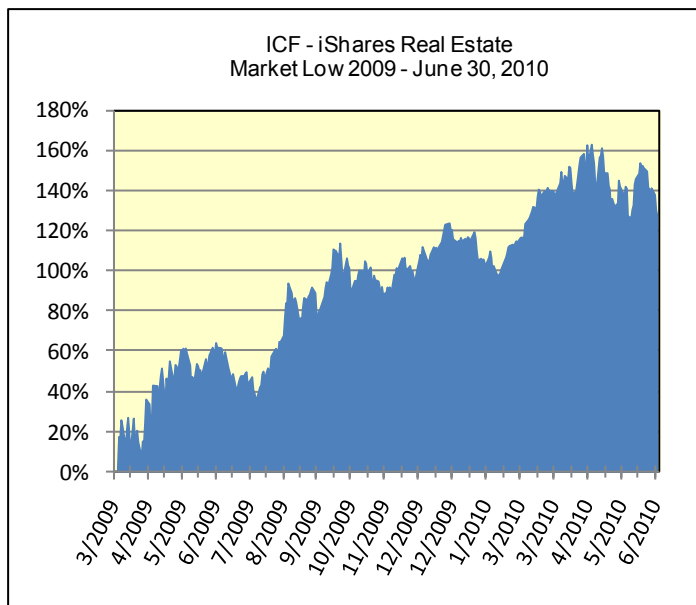
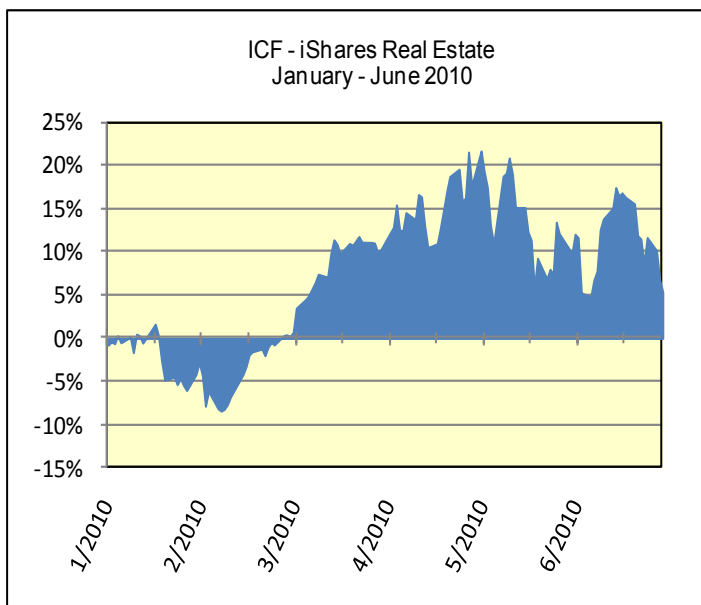
[3]



REAL ESTATE INVESTMENT TRUSTS:

The REIT index performed much better. The index peaked in May, up 21.9% YTD and settled with a 5.4% gain YTD through June 30. This index is up 127% from its 2009 low.

[4]



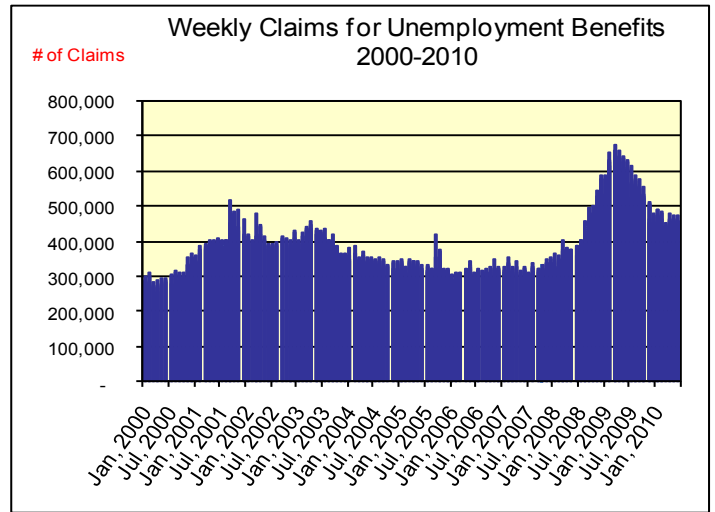
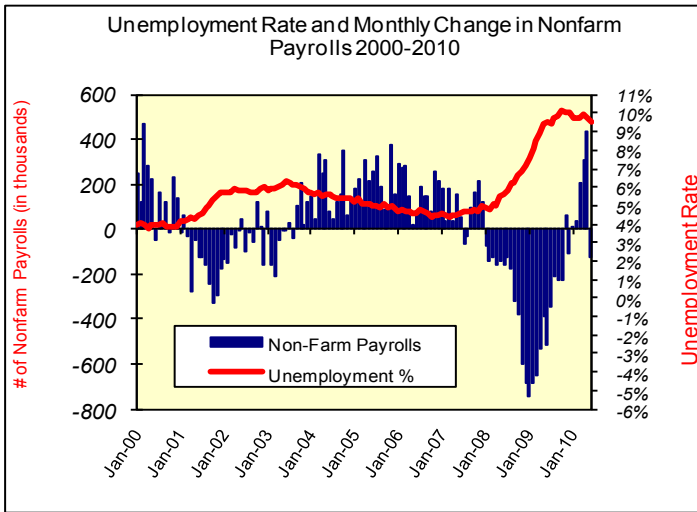
THE ECONOMY:

Employment:

The biggest headwind facing the U.S. economy continues to be the unemployment picture. As of June 30, 2010 there were over 14.5 million unemployed individuals actively looking for work. In addition, there were 8.6 million part time workers wanting full time work and another 3.8 million workers wanting work who had not actively looked for work in the past four weeks. Thus, while the official unemployment rate is 9.5% (same as June, 2009) the total *underemployment* rate is 16.5% (same as June, 2009). [5]

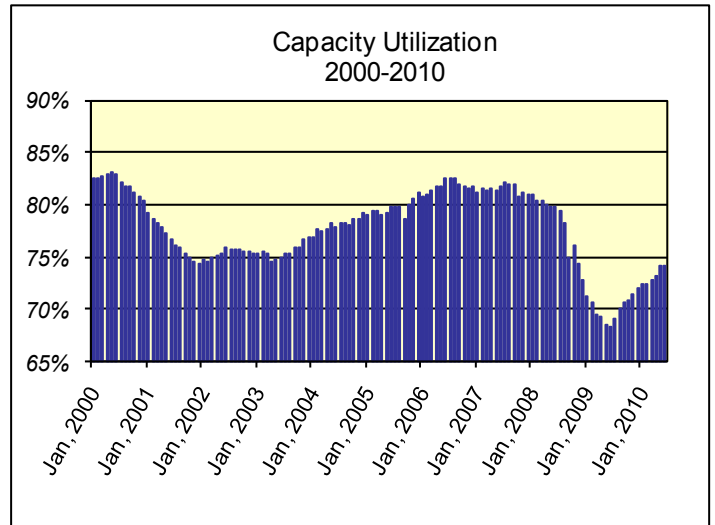
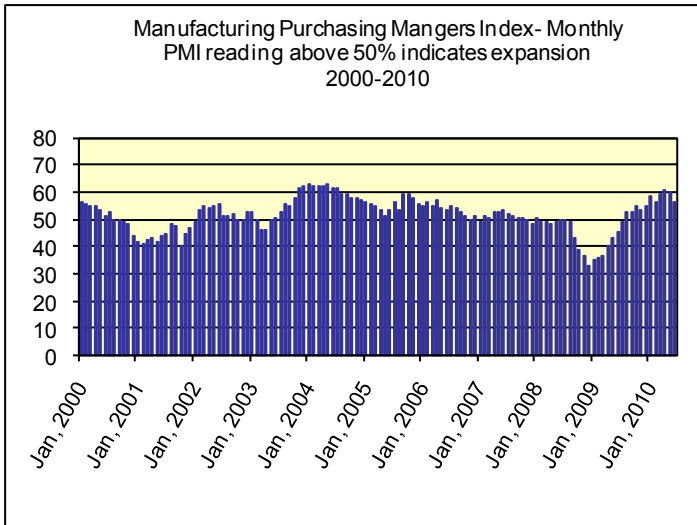
There were 9.4 million families with at least one unemployed member during 2009—representing 12% of all families in the U.S. That is up from 6% in 2007. [6]

During the first six months of 2010 the U.S. economy added 800,000 net jobs. The initial weekly claims for unemployment benefits continues to trend under 500,000, an improvement from last year. [7] [8]



Manufacturing:

The Manufacturing Purchasing Managers Index continued to stay above the “magic” 50 level, indicating expansion. In addition, plant capacity utilization remained above 70% for the first half of the year. Both of these trends are positive for the economy. [9] [10]

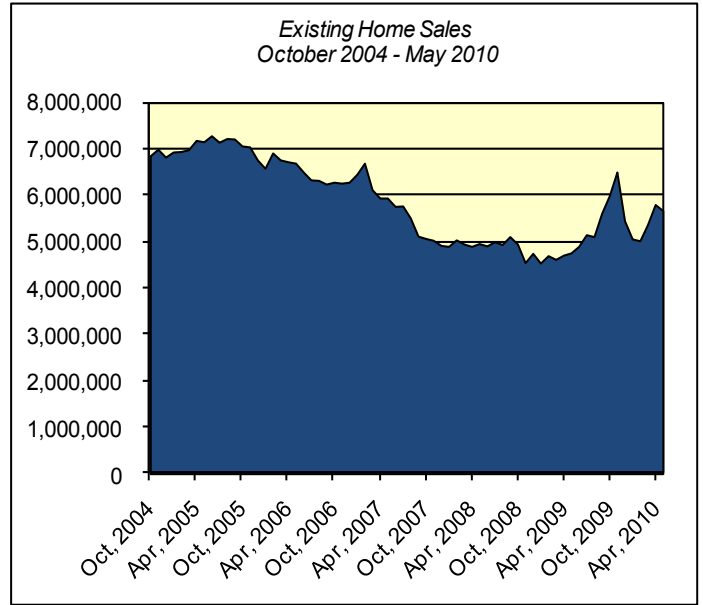
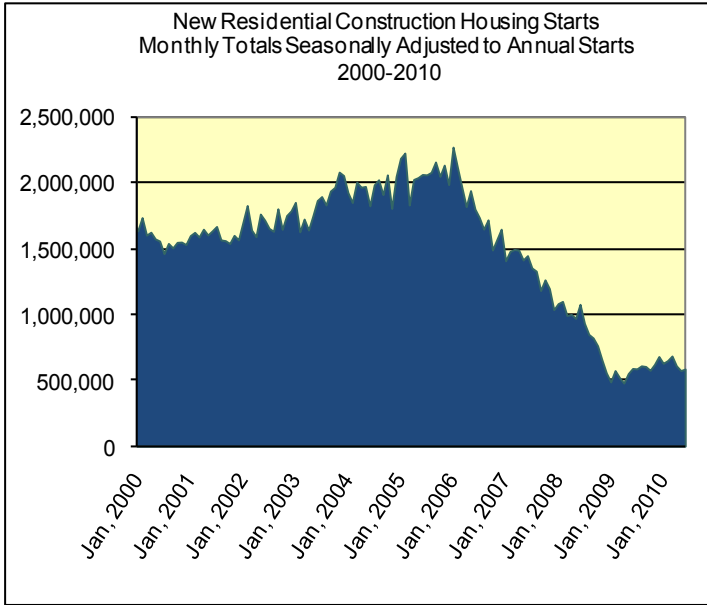


Home Sales:

New residential construction housing starts continue to struggle. Monthly starts have averaged in the 500,000–600,000 range since the end of 2008 compared to the averages of 1 to 2 million new monthly starts going as far back as 1959. June represented the 21st consecutive month of less than 750,000 new starts, the longest such stretch since records were maintained.

Sales of existing homes have kept above the 5 million per month range for the past 11 months. This is an improvement over the 2008 and early 2009 numbers. However, short sales and sales of foreclosed homes have represented an increasingly larger number of homes sold.

[11] [12]

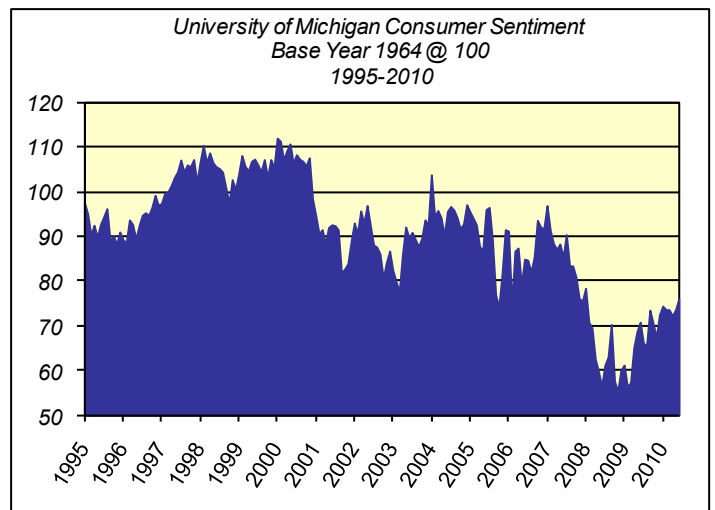
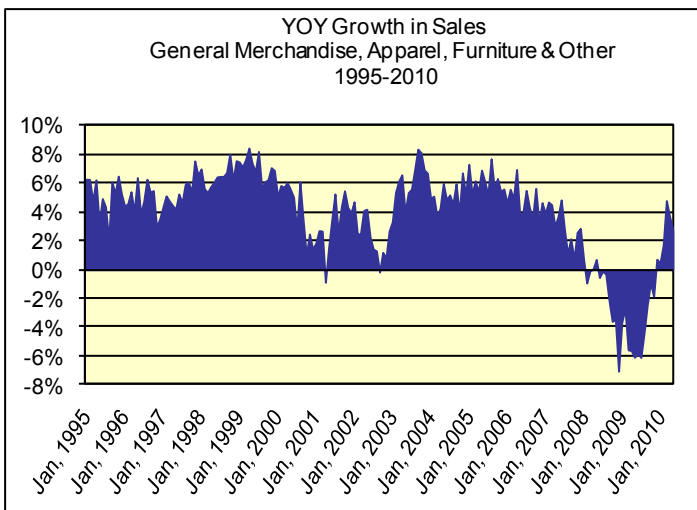


The Consumer:

The consumer is a major component of the U.S. economy. Beginning in 2008 consumers have tightened their belts by reducing spending. That cycle has reversed itself in the first half of 2010. While spending is not back to pre-recession stages, it has improved.

One of the most followed measures of the consumer is the University of Michigan Consumer Sentiment Survey. The survey attempts to capture the “mood” of the consumer. The results have shown improvement during the first six months of the year.

[13] [14]



Looking back over the first half of 2010, we can see that the U.S. continues to dig out of the recession. While many headwinds remain progress is being made.

Times like this reinforce the wisdom of good financial principles. Spend less than you make, aggressively reduce debt levels, save each month and invest wisely. A diversified portfolio; investing in fixed income instruments, domestic and international equities, precious metals and commodities; can and will endure the test of time.

At JVL Associates, LLC, we take great pride in our financial planning and investment process. If you have any questions or comments, please give us a call.

By: Jerry VanderLugt CPA CFP®

References

- [1] <http://finance.yahoo.com/q/hp?s=%5EGSPC+Historical+Prices>
- [2] <http://finance.yahoo.com/q/hp?s=EFA+Historical+Prices>
- [3] <http://finance.yahoo.com/q/hp?s=EEM+Historical+Prices>
- [4] <http://finance.yahoo.com/q/hp?s=ICF+Historical+Prices>
- [5] U.S. Department of Labor, Bureau of Labor Statistics, News Release, July 2, 2010, “*The Employment Situation—June 2010.*” USDL-10-0886
- [6] U.S. Department of Labor, Bureau of Labor Statistics, News Release, May 27, 2010, “*Employment Characteristics of Families—2009.*” USDL-10-0721
- [7] http://www.bls.gov/web/empsit.supp.toc.htm#household_m
- [8] <http://ows.doleta.gov/unemploy/claims.asp>
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