

**Jim Dobbs**  
**DOBBS WEALTH, LLC**  
***Registered Investment Advisor***



Economic & Market Outlook - Volume: XII, 2<sup>nd</sup> Quarter Edition

---

◆ Economic Growth

Green shoots have appeared and the index of leading economic indicators has many believing we'll experience a strong recovery by year's end. I do not expect this will be the case. It took decades to build this excessive credit bubble; therefore I believe it will take years, not months, to unwind. Don't get me wrong, I'm all for being positive on the U.S. and our prospects going forward, but there are simply too many destructive forces at work to ignore. Simply put, this recovery will take years to work through - so prepare accordingly.

◆ U.S. Stock Market

Anticipating an economic turnaround the stock market bottomed in early March (down 27% from Jan. 1<sup>st</sup>) and has risen sharply since (up 36% from the bottom) leaving the S&P 500 Index at break-even year to date. I expect this is only a "bear market rally" as market history and investor psychology indicate a strong probability there will be another significant drop in stock prices soon. I would not be surprised to see us retest the March lows and possibly go even lower; therefore extreme caution is warranted right now for those investing in U.S. stocks. More carnage is likely to occur this Fall therefore a word to the wise is sufficient.

◆ International Stock Markets

We believe certain Asian and emerging markets will provide good opportunities in the years ahead (e.g. India, Korea, and Taiwan). China continues to divest itself of U.S. dollars and has led this stock market rally of 2009 as it has managed to sustain its credit market and expansionary policies. In the short run this has worked well to keep their economy growing, but it could lead to extraordinary volatility including periodic market crashes along the way to prosperity. A buy and hold strategy in the Chinese markets will be a bumpy and unpleasant ride for most investors. Look for China's market to fall sharply in the months ahead just like here in the U.S.

◆ Inflation and the Dollar

Unlike most of our contemporaries, we believe we're currently experiencing deflation and think it may actually hang around for a while. Ultimately we'll face inflation during our next economic expansion but that could still be a few to several years away. Furthermore we see the dollar stabilizing here and moving higher in the coming months given a 92% bearish sentiment indicator, thus we are bullish on the dollar in the near term. We also believe bonds will rally, at least modestly, and interest rates will actually fall in the months ahead.

◆ Oil and Gas

We continue to believe the price of oil and gas will continue to rise (rebound) over the next several years, HOWEVER we believe there is a reasonable chance oil will fall significantly in the short-term and retest the lows in the \$30-\$40/barrel range ultimately setting up a more sustainable run that could last several years. Natural gas is trying to bottom, but this consolidation may last a bit longer. At these prices however, we see natural gas as a good long-term investment. ALERT: Please be careful if you're investing in oil right now!

◆ Precious Metals

Silver has begun its overdue correction and we maintain our bearish stance as we expect further significant declines in the coming months. Gold on the other hand is more complicated as it is also considered a safe-haven and dollar hedge so while the same price pattern in silver exists in gold; we think gold is likely to escape some of the volatility and downside risk of silver in this very nervous market. We are therefore neutral on gold in the short run but maintain it would be a wise choice for some assets serving as disaster insurance.

**Jim Dobbs**  
**DOBBS WEALTH, LLC**  
***Registered Investment Advisor***

Economic & Market Outlook - Volume: XII, 2<sup>nd</sup> Quarter Edition

**2009 Year-to-Date Performance: Major Indexes & Benchmarks**

-00.30%	US Aggregate Bond Index
+02.99%	US Total Market Index
-03.75%	Dow Jones Industrial Index (DJIA)
+01.78%	Standards & Poor's 500 Index (large cap)
+07.41%	Standards & Poor's 400 Index (mid cap)
+02.64%	Russell 2000 Index (small cap)
+16.36%	NASDAQ Composite Index
+00.99%	US Core (stocks)
+14.54%	US Growth (stocks)
-05.39%	US Value (stocks)
+04.21%	MSCI EAFE Index – Int'l Developed Countries
+30.06%	MSCI EM Index – Int'l Emerging Markets Countries
+05.30%	COMEX Gold Trust
-03.20%	Dollar – Deutsche Bank US Dollar Index
+07.56%	OIL – S&P GSCI Crude Oil Index

**Composite Benchmark - Classic Diversified Global Asset Allocation Model Portfolio**

You may use this hypothetical investment portfolio to compare your own performance to this globally diversified “buy and hold” strategy using broad based asset classes readily available to individual investors through index based exchange traded funds (ETF's).

2009 Year-to-Date Hypothetical Model Portfolio Returns:

100% Equity/0% Fixed Income	+05.61%
90% Equity/10% Fixed Income	+05.71%
80% Equity/20% Fixed Income	+04.27%
70% Equity/30% Fixed Income	+03.77%
60% Equity/40% Fixed Income	+03.69%
50% Equity/50% Fixed Income	+03.20%

\*\*\*We continue to believe a more active investment strategy will be necessary to successfully navigate the long-term bear market cycle we believe we've now entered, and that classic strategic asset allocation models will not be successful in the current environment. Furthermore a combination of macro and micro economic and financial analysis will be critical in making wise portfolio decisions. Protecting capital will be by far the most important objective in the coming years.\*\*\*

*The index and benchmark returns listed above were reported by Morningstar, Inc. and are believed to be reliable, however no guaranty of their accuracy may be made.*

**Jim Dobbs**  
**DOBBS WEALTH, LLC**  
***Registered Investment Advisor***

Economic & Market Outlook - Volume: XII, 2<sup>nd</sup> Quarter Edition

**Background Information**

- ✓ Jim Dobbs is a financial educator, consultant, and advisor who works with individuals and institutions around the country.
- ✓ Jim is a CERTIFIED FINANCIAL PLANNER™ professional who for the last eighteen years has been helping private clients achieve their financial goals and objectives.
- ✓ Jim also works with non-profit organizations such as universities and membership associations to help them achieve their organizational goals through strategic planning, curriculum development, and program delivery.
- ✓ Jim has taught or trained hundreds of financial services professionals through various universities, corporations, and associations.
- ✓ Jim has consulted, lectured, and/or directed programs at several prestigious universities including Wharton, The University of Chicago, Cal-Berkeley, The University of Texas, Southern Methodist University, and others.
- ✓ Jim received his B.B.A. from Baylor's Hankamer School of Business, earned a post-baccalaureate Award in Taxation from UCLA-Extension, and completed the Management Development for Entrepreneurs Program at UCLA's Anderson School of Management.

**Dobbs Wealth Management Group, LLC**

- Dobbs Wealth is an independent *fee-only* investment management firm.
- Dobbs Wealth was formed in 1998 as an investment advisory firm established under the regulations set forth by the State Securities Board of Texas.
- Dobbs Wealth's primary objectives are to protect and grow client investments.
- All managed money is held through third-party institutional custodians such as Charles Schwab & Co. Under no circumstance does Dobbs Wealth maintain custody of client funds or assets.
- Dobbs Wealth does not represent any other financial company nor does it sell any financial products.
- Dobbs Wealth only receives compensation (fees) directly from its clients.
- Dobbs Wealth embraces its fiduciary relationship to its clients and recognizes this as its primary professional responsibility.

*Dobbs Wealth Management Group, LLC ("Dobbs Wealth") is a Registered Investment Advisor. Dobbs Wealth may only transact business in those states and/or countries in which it is registered, or qualifies for an exemption or exclusion from registration requirements. Please contact Dobbs Wealth at (720) 224-1530 to find out if Dobbs Wealth may conduct advisory business in the state or country where you reside. No specific representations regarding services offered by Dobbs Wealth are being made in this communication. Neither Jim Dobbs nor Dobbs Wealth offer legal or tax services or advice.*

*All information related to the economy or financial markets should be considered general or educational – no information herein should be considered as investment advice nor should it be considered a specific recommendation. All information and historical market data is believed to be reliable, but no guarantee of its accuracy can be made. Past performance is no guarantee of future results. Investing in equities includes risk including the risk of loss of capital. Investors are encouraged to seek qualified professional guidance or counsel before making investment decisions.*

Jim Dobbs – Dobbs Wealth – Website: [www.dobbswealth.com](http://www.dobbswealth.com) – Email: [jim@dobbswealth.com](mailto:jim@dobbswealth.com) – Toll Free: 800-396-9860