

Jim Dobbs
DOBBS WEALTH, LLC
Registered Investment Advisor



Economic & Market Outlook - Volume: XII, 4th Quarter Edition

◆ U.S. Economy

Signs of recovery are mixed but hope springs eternal as bullish sentiment is as high as it's been since market peaks in 2000 and 2007. Unemployment is still above 10% (17% using the Labor Dept.'s broader definition) but appears to be leveling off - for now. GDP is showing initial signs of growth, but the multi-trillion dollar questions are: "Is the recovery to date completely stimulus driven and can our economy grow itself out of this recession without more stimulus?". I won't even bring up the national debt, trillion dollar deficit, or state insolvency issues...oops - I guess I just did. Needless to say, I'm still very suspect of this so-called recovery.

◆ Bear Market Rally

Counter cyclical stock market rallies within secular bear markets (i.e. "bear market rallies") are often impressive and significant. Retracements of 38%, 50% and even 62% of the initial decline are common. The Dow Jones Industrial Index just crossed the 62% retracement threshold then immediately faced more resistance. Most of the gains in this market rally occurred between March and May of last year as most indexes have been consolidating only slightly higher since summer. Volume, relative strength, and momentum have all been steadily declining since June. This looks like the market top we've been watching for since early last fall, but this rally could carry on for months - technical indicators however argue this to be a low probability event.

◆ International Stock Markets

Most developed country markets rebounded in lock step with the U.S. market, and Japan too has rebounded but at a slower pace. Japan is now closing in on two decades of market losses - largely the result of over leverage and a fiscal irresponsibility (sound familiar?). China's market has more than doubled from its March lows but has made no progress since summer. China led the global rebound and perhaps it is now leading a more significant global pullback as it just announced hawkish policy in order to circumvent future inflation.

◆ Precious Metals

Gold continues to rally but not without serious ongoing volatility (10%-15% corrections have been the norm during its recent rise). Silver and other metals have risen in line with gold but not with the same conviction. If deflation holds, like I expect, most commodity prices will fall again including precious metals. Gold could be the exception "if" we experience another financial or emotional crises as it will be considered a safe haven.

◆ Energy (Oil & Gas)

There is consensus that the world's growing economies will need more energy in the coming decades; however, the near term is much cloudier. If China, India, and other emerging markets demand slows and deflation persists, the price of oil and gas could not only fall but plummet; therefore, while energy looks good for the long term investor, the near term ride could be volatile and unpleasant. Supply and demand are always important, but there is a lot of "trading" going on in these markets and that adds significantly to the volatility.

◆ Investment Outlook

We still believe deflation will remain in control for the foreseeable future (not withstanding shorter periods of temporary re-inflation) and that another stock market fall is likely soon. We are however optimistic that prudent and wise investors can and will make money in the coming months and years ahead despite the challenges we face as a nation. We believe a macro (broad perspective), global, long/short approach is necessary in order to identify growth opportunities and succeed in what we think is still a long-term secular bear market.

Jim Dobbs
DOBBS WEALTH, LLC
Registered Investment Advisor

Economic & Market Outlook - Volume: XII, 4th Quarter Edition

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

+05.93%	US Aggregate Bond Index
+28.89%	US Total Market Index
+28.85%	Dow Jones Industrial Index (DJIA)
+26.31%	Standards & Poor's 500 Index (large cap)
+37.52%	Standards & Poor's 400 Index (mid cap)
+28.53%	Russell 2000 Index (small cap)
+45.14%	NASDAQ Composite Index
+25.96%	US Core (stocks)
+43.00%	US Growth (stocks)
+17.95%	US Value (stocks)
+31.78%	MSCI EAFE Index – Int'l Developed Countries
+74.14%	MSCI EM Index – Int'l Emerging Markets Countries
+24.03%	COMEX Gold Trust
-06.52%	Dollar – Deutsche Bank US Dollar Index
+11.22%	OIL – S&P GSCI Crude Oil Index

The Dobbs Global Index© - A 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	+32.18%
90% Equity/10% Fixed Income	+30.14%
80% Equity/20% Fixed Income	+25.64%
70% Equity/30% Fixed Income	+23.42%
60% Equity/40% Fixed Income	+21.19%
50% Equity/50% Fixed Income	+18.11%

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, 4th 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 – Email: jim@dobbswealth.com – Toll Free: 800-396-9860