

# EPIC CAPITAL WEALTH MANAGEMENT



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## WEEKLY MARKET COMMENTARY

January 18<sup>th</sup>, 2011

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### The Markets

What do the Wonders of the Ancient World, the chakras, the days of the week, the Habits of Highly Effective People, the Deadly Sins, the Seas, and the S&P 500 all have in common?

Drum roll please. The answer is they all share the number seven.

In the case of the S&P 500, it's now been seven consecutive weeks that the index has advanced, according to Yahoo! Finance. Analysts chalk up the steady gains to generally positive economic news, a supportive Federal Reserve, extension of the Bush-era tax cuts, a payroll tax cut, and robust corporate profits among other positives.

Interestingly, stocks have moved up a strong 2.8% in the first two weeks of this year while gold, one of last year's darlings, is lagging. It's down 3.1% this year after having risen 27.7% last year, according to the London Bullion Market Association. Of course, we're only two weeks into the New Year so anything can change over the next 50 weeks.

The improving economy and rising stock market have helped push oil prices back above \$90 per barrel and gas prices to a nationwide average of \$3.09 per gallon last week, according to Reuters and *The Wall Street Journal*. You may recall that oil and gas prices spiked in the first half of 2008, then collapsed along with the stock market in the second half of the year. We're not suggesting that will happen again, but rising oil and gas prices may take some of the "oomph" out of consumer spending in coming months.

Circling back to the Seven Wonders of the Ancient World, do you know which one has remained relatively intact into the current day? See below for the answer.

Data as of 1/14/11	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.7%	2.8%	13.8%	-3.0%	0.2%	-0.3%
DJ Global ex US (Foreign Stocks)	2.1	1.3	12.1	-5.4	1.9	4.0
10-year Treasury Note (Yield Only)	3.3	N/A	3.7	3.8	4.3	5.2
Gold (per ounce)	0.0	-3.1	20.1	14.9	19.5	17.9
DJ-UBS Commodity Index	2.4	-0.4	15.9	-5.6	-1.0	3.6
DJ Equity All REIT TR Index	1.3	0.9	28.1	3.8	2.5	11.0

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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.

**ARE THE ULTRA-WEALTHY READY TO START TAKING MORE RISK** in the stock market this year? The Institute for Private Investors, a membership organization for ultra-high-net worth individuals and families, recently surveyed 72 of its members who had an average net worth of \$100 million to find out. Here's what they discovered as reported in *Registered Rep Magazine*:

- The ultra-wealthy are still pretty risk averse.
- They may start increasing their allocation to global emerging markets this year.
- They believe their own portfolios underperformed the S&P 500 index by about 5 percentage points in 2010.
- Despite the underperformance, the members "were fine with reduced risk and giving up returns."
- Concerning the economy, "They are very skeptical about whether the recovery will last."

F. Scott Fitzgerald once wrote, "Let me tell you about the very rich. They are different from you and me." And, for the 72 ultra-wealthy folks in this survey, chances are they can afford to be conservative with their wealth and focus on wealth preservation, but most Americans can't be so conservative. They need their money to grow so they can retire comfortably.

So, whether you have \$100,000 or \$100 million to invest, ultimately it comes down to what your goals and objectives are. Someone with \$100,000 to invest may need to put more emphasis on capital growth -- which entails taking some risk. Conversely, those with \$100 million to invest may put more emphasis on capital preservation and take less risk so they can have a higher probability of maintaining their existing lifestyle.

## Weekly Focus – The Seven Wonders of the Ancient World

Here's the list of the Seven Wonders of the Ancient World, according to History.com:

1. Great Pyramid of Giza, Egypt
2. Hanging Gardens of Babylon
3. Statue of Zeus at Olympia
4. Temple of Artemis at Ephesus
5. Mausoleum at Halicarnassus
6. Colossus of Rhodes
7. Lighthouse of Alexandria

As you may have guessed, the pyramid is the only "wonder" still surviving intact. And, according to the website, the Hanging Gardens of Babylon may have never even existed. The site said, "Most modern scholars believe that the existence of the gardens was part of an inspired and widely believed, but still fictional tale." Who knew?

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## Financial Factoid

**Missing the best days:** The total return for the S&P500 over the last 50 years (1961-2010) is +9.70% per year. Removing the 50 best percentage gain days over that same fifty year period (ie. 50 days total, not 50 days per year) drops the annualized return by more than half to +4.50% per year. There were 12,586 trading days in the last 50 years (source: BTN research).

Best regards,

**Edward R. Doughty, CFP®**

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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- \* 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.
- \* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- \* Past performance does not guarantee future results.
- \* You cannot invest directly in an index.
- \* Consult your financial professional before making any investment decision.