

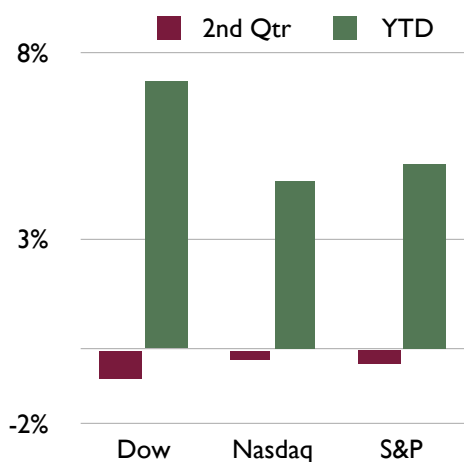
### TALKING POINTS

VOLATILE BUT RELATIVELY FLAT QUARTER

COMPANIES STILL PROSPERING DESPITE GLOBAL ECONOMIC WORRIES

IN SPITE OF THE VOLATILITY, MARKETS ARE PERFORMING WELL IN 2011

MARKETS COULD POST TERRIFIC 2ND HALF OF THE YEAR



On the corporate side, profits, earnings and cash are at record levels. These are numbers you won't see watching CNBC. A quote by Louis Navellier makes this point. "The stock market has seen a lot of distractions lately, with Greek riots being the biggest "hit" on TV....While the financial disaster in Greece made for fascinating TV, I was shocked that the media forgot to mention that the S&P 500's earnings are now at a record high and another strong earnings season begins soon."

Said another way; beneath the waves of global economic disasters and even our own economic pitfalls, most companies are thriving.

As an investor, it is important to remember that the economy is not the same things as the stock market, and vice versa. The market can roar ahead even while the economy is struggling, and stocks can falter despite economic growth.

### Market Outlook

In last quarters issue we discussed the characteristics of a market correction. We won't explain that in great detail here again, but we will quickly reference them. First, the markets have to "shakeout" amateur investors by causing pain (typically emotional) to the point of high volume panic selling

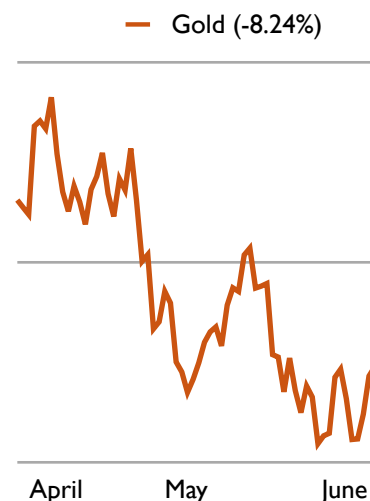
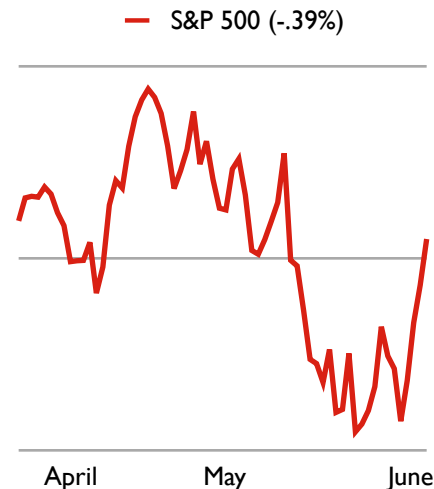
### 2nd Quarter 2011 Wrap-Up

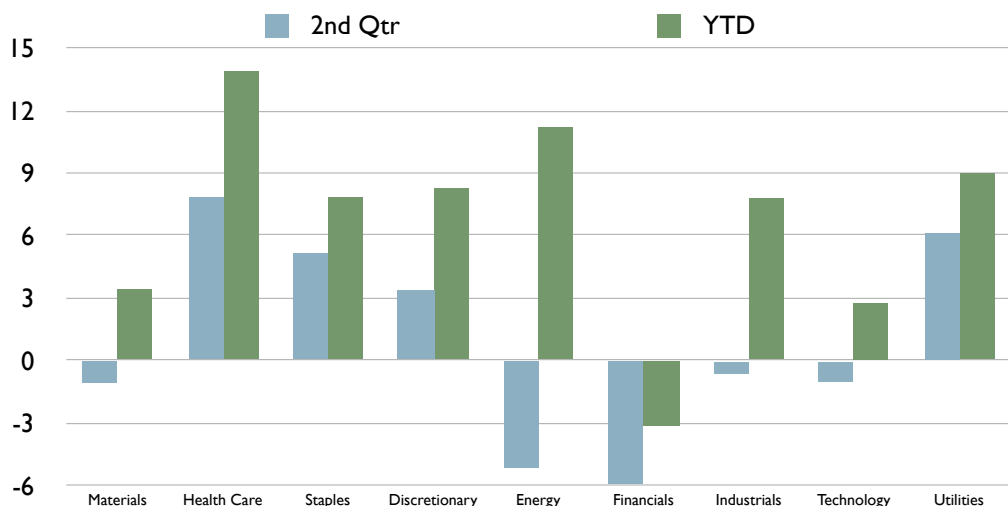
As we closed out the 2<sup>nd</sup> quarter it could hardly be considered boring. We saw the market whipsaw back and forth to close at nearly flat levels. The S&P 500 closed down .39% for the quarter with a total return year-to-date of a positive 5.01%. In sum, the market moved around a whole lot for the quarter but didn't really go anywhere in the end. What does all of this mean? The bigger picture, considering this most recent correction, could spell out a terrific close to 2011. Time will tell. We will further discuss this in our Market Outlook section.

In the last issue of the Simmons Street Newsletter we mentioned that we felt the correction was a bit too easy and probably had more to go; *and so it did*.

After having a tremulous 2<sup>nd</sup> quarter, we saw the market rally back nearly 5% in the last 2 weeks of the quarter to close out basically flat. While "basically flat" seems innocuous, the past 3-5 months were anything but. We experienced plenty of global and domestic economic waves of bad news with slowing growth and potentially failing economies. Is this what caused the market pull back? I don't think so. There are always economic concerns, problems and catastrophes that are blamed on poor market performance. There is a saying in Wall Street that "the market climbs a wall of worry." Essentially, there is always some issue that is a talking point for performance. The truth is, we were due for a pullback after many months of upside movement.

Furthermore, we witnessed one of the most disappointing earnings season in recent history. More specifically, market leaders in retail and technology released terrific earnings numbers only to have their stocks retreat in dramatic fashion. That action was disappointing and frustrating to watch. Clearly, investors were not particularly concerned with exceptional fundamental performance. Sellers were most definitely in control. In fact, two-thirds of the companies in the S&P 500 beat estimates yet their stock price failed to follow suit.





## MARKET SECTORS

MOST SECTORS ARE PERFORMING STRONG FOR THE YEAR ASIDE FROM FINANCIALS.

HEALTHCARE IS PROBABLY A BIT EXTENDED HERE, AS WELL AS ENERGY.

DESPITE DRAMATIC OPTIMISM IT HAS BEEN A TOUGH YEAR FOR GOLD INVESTORS.

that drive prices lower. Secondly, we see a testing and retesting of support levels where the market bounces back and forth (no such thing as a V-bottom). Third is duration, or the time that it takes a correction to run its course. Finally, and arguably most important, is the media attention associated with the correction. What we look for is the media jumping on the back of the correction creating excess fear and doomsday predictions.

Why bring this back up again? you might ask. Well, it's fairly obvious that all of these characteristics have been met. The question now becomes: *when?* When will this correction be over?

We were due for a pullback and if you have been reading our material I believe you understand why. From here the market will most probably go one of two ways. Either it will completely fall off the edge to the downside (which is unlikely), or it will resume its winning ways and continue the long term market advance which began on March 9<sup>th</sup> 2009. Odds are it will be the later.

In April we posted a blog titled Long Term Market Outlook. In the blog we discuss a report published by the American Funds which shows the average annual 5 year return, succeeding a market correction.

That annual return is an astonishing 18.95%. A recovery, especially following the magnitude of the most recent decline, takes years to unfold. It is not over in just 24 months. Yes, there are still global economic troubles, but when are things ever completely euphoric? *Perhaps at a market top??*

Experienced investors know that bull markets climb a wall of worry. They know that as each worry is surmounted, perceptions of the future will improve and the market will climb a little higher. And they know that when *all* worries have been vanquished, when *all* expectations for the future are bright, and when *all* investors have bought, the market tops out.

The odds strongly favor that the best investments have already hit their lows of this correction, and any backing off—whether it's just a couple of days, or a full-blown re-test of the market lows—will likely see these investments giving up ground reluctantly.

Overall, we are currently sticking with our defensive stance, but a transition to a more bullish posture could happen within days if the environment continues to improve. We will be watching.

In sum, the combination of widespread bad news and the strong recent bounce—many stocks launched off their 200-day moving averages—makes us quite optimistic. But we've learned that it's best to trust the system. As tempting as it is to anticipate the green light, we know that sometimes the early bird gets eaten. So given the likelihood that the market will cool off over the next few days—and maybe even give us a big triple-digit decline, just to keep fear alive—we'll sit patiently until we get those actual green lights. There's no need to be an early buyer to be a big winner. What's more important is to own the right investments. It's important not to jump the gun.

## Lagniappe

Last month we re-posted an article titled *Sometimes, Less is More* published by Mike Cintolo of Cabot Heritage. Mike discussed that there are times when it is important to do nothing!

Human behavior forces us to try to “fix” things when they are not going our way. With investing, our behavior pushes us to do things that feel natural but, in the end, are only detrimental to our success. The reality is that when we are in the midst of a correction the best thing to do is often

nothing at all. This is very difficult indeed, since we are bred to take action.

That means it's often wise to back off trading (trying to buy on dips, aggressive selling, etc.) when the market turns down. As Warren Buffett has been quoted, "The Stock Market is designed to transfer money from the Active to the Patient." *Sitting on your hands* could be the most fruitful decision you make.

As stated in our Market Outlook section, from here the market could go either way. We have our opinion which is based upon historical and statistical analysis, but we won't jump the gun on it just yet. We do feel we are setting the stage for a terrific 2<sup>nd</sup> half of the year and a 10-20% market move to the upside is certainly not out of the question. But right now, Less is More. Other than considering what investments to make, sitting tight and letting the market tell its own story is prudent. We are optimistic the stock market has likely bottomed, but we don't believe it's best to anticipate a new buy signal.

### In Conclusion

As we wrap up this edition, we would like to learn how we can make this newsletter better for you. We have been publishing the Simmons Street Newsletter for the better part of a year now and have been fortunate to receive a terrific response from our readers, however we are never completely content until we are producing what will help you most. If there is a topic that you would like to learn about or hear discussed please forward that information to us. Also, if there are any questions, changes or subjects that you would like to be mentioned, please let us know. We would be thrilled to hear what you have to say!

Our number one goal is to help you as much as possible. Any recommendations or feedback can be emailed to [Info@SimmonsStrategy.com](mailto:Info@SimmonsStrategy.com).

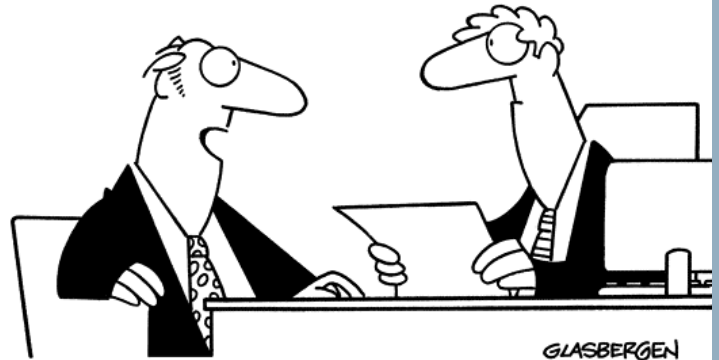
Thank you for your support.

Until next time, we wish you a prosperous 2<sup>nd</sup> half of 2011!!

-Mark Simmons

### HUMOR OF THE DAY

#### INVESTMENTS AND FINANCIAL PLANNING



**"I retire on Friday and I haven't saved a dime.  
Here's your chance to become a legend!"**

### Timely Quotes

*"Many an optimist has become rich by buying out a pessimist."*

*"Don't let the opinions of the average man sway you. Dream, and he thinks you're crazy. Succeed, and he thinks you're lucky. Acquire wealth, and he thinks you're greedy. Pay no attention. He simply doesn't understand."*

*"How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case."*

**- Robert G. Allen**

## Inquires & Explanations

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### ***How often do you publish the Simmons Street Newsletter?***

Our goal is to provide the newsletter to our clients and associates at least once a quarter. It is our plan, however, to publish the newsletter more frequently, such as monthly, or if we feel there are events that warrant explanations or updates.

### ***What is the purpose of the newsletter? Why are you publishing this?***

Our goal is to provide investors unbiased educational information regarding the markets. Furthermore, we understand that investors find it difficult in their time-crunched day to stay abreast of economic and investment related news to adequately stay informed. In addition, many investors have trouble finding information that isn't laced with propaganda or sales pitches. The purpose of the Simmons Street Newsletter is to provide a solution to that problem. We feel that in 5 minutes or less any individual can read this newsletter and become informed with what is going on in the markets.

### ***Is the Simmons Street Newsletter free?***

Yes! We do not sell this newsletter. It is free of charge.

### ***Can I distribute the Simmons Street Newsletter to other people I feel can benefit from it?***

Absolutely!! In fact we encourage you to send this to anyone you feel could profit from it.

### ***I don't understand, why do you take the time to create a newsletter for free?***

The goal of Simmons Asset Management is to provide investors with educational information so they can become more informed about their financial situation. Our number one priority is to help people. Our belief is that if we succeed in our goal of helping people our firm will subsequently succeed.

### ***What should I do if I have more questions?***

Give us a call or shoot us an email! We love talking about the markets and investment related information. In addition, feel free to peruse our website at [www.SimmonsStrategy.com](http://www.SimmonsStrategy.com). We also post occasional blogs and post news items and other resources that we feel will be beneficial to investors.

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