

Sather Financial Group Inc.
Comprehensive Wealth Managers

July 2010 Commentary

While May and June were rocky, July was a surprisingly good month for U.S. stock investors.

The Dow Jones Industrial Average added 691 points or 7.1% to the blue-chip index—the best month in a year. Both the S&P 500 and the Nasdaq Composite gained 6.9% in July. This performance put the Dow back into positive territory for the year.

The month's gains were fueled by stellar second-quarter earnings, a refreshing counterpoint to gloomy months fretting over euro-zone debt troubles.

With 70% of S&P 500 companies reported, earnings are up 42% and sales are up 9%, with profit margins sitting at a record 9.7%.

On a broader scale, the latest and broadest snapshot of the U.S. economy, released Friday by the Commerce Department, said that gross domestic product—the value of all goods and services produced by the economy—grew at a 2.4% annual rate in the period. That is down from 3.7% in the first quarter and 5.0% in the final quarter of 2009—however, it is still a positive figure.

A robust economic recovery remains far from certain, with persistently high unemployment crimping consumption. As such, the consumer remains quite frugal. However, strong manufacturing numbers and a positive reading on consumer sentiment provided a silver lining.

The downbeat GDP reports come as businesses are logging high profits, underscoring a wide divide between companies and ordinary consumers.

Despite profit growth at businesses, the economy can't continue to grow without help from consumers, because their purchases account for about 70% of economic activity.

Although unemployment remains high, and the domestic economy remains weak, we continue to be satisfied with our investments. Our strategies lead us to have heavy holdings in the largest of the multi-national blue chip stocks as they trade at very low prices, have very strong profits and dividends and continue to have diversified income streams from all over the world.

Additionally, with a **10 Year US Treasury yielding a slim 2.95% and a 5 Year US Treasury only paying 1.6%**, the dividends from blue chip stocks have the opportunity to pay much more than fixed income options.

The unexpected performance in July also reminds us that trying to time the market is a fruitless task. As such, we are comfortable sitting back, collecting our dividends and continuing to be patient investors.

As always, if you have questions on this, or anything else, please don't hesitate to call, email or stop by to discuss.

Sincerely,

Dave Sather, President
CERTIFIED FINANCIAL PLANNER™

Warren Udd
CERTIFIED FINANCIAL PLANNER™