



SYMPHONY FINANCIAL SERVICES, INC.

Weekly Commentary March 8, 2010

Dear Investors:

It was one year ago this week that the Standard & Poor's 500 closed at its bear market nadir of 676 on March 9, 2009. Last week, it closed at 1138, which represents a gain of 68% from the year ago low. What insights can we learn from the painful decline to 676 and the rapid rise to 1138? We have a few, but before we get to them, here's the market box score.

Data as of 3/5/10	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	3.1%	2.1%	66.6%	-6.1%	-1.5%	-2.0%
DJ Global ex US (Foreign Stocks)	3.6	-1.2	75.5	-5.5	2.4	0.4
10-year Treasury Note (Yield Only)	2.2	N/A	2.8	4.5	4.3	6.4
Gold (per ounce)	2.4	2.8	24.3	21.3	21.3	14.7
DJ-UBS Commodity Index	0.6	-3.2	28.6	-6.7	-3.2	2.9
DJ Equity All REIT TR Index	3.9	3.7	127.6	-10.9	1.7	11.5

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.

HIGHLY VOLATILE MARKETS can be great teachers and the last few years offered a great learning environment for those willing to pay attention. Here are a few thoughts to ponder:

- **Cracks tend to appear in the dike before the dike breaks.** The first cracks that led to the 2007-2009 bear market formed in mid-2005 as the housing market began to cool off and defaults among subprime mortgages began to rise, according to The Federal Reserve and Vanguard. However, early on, the cracks were largely dismissed as Fed Chairman Ben Bernanke told Congress on March 28, 2007 that subprime defaults were "likely to be contained," and former Treasury Secretary Hank Paulson said on August 1, 2007, "I see the underlying economy as being very healthy," according to Reuters. Reassured, the stock market continued rising until early October 2007.

529 N. Cleveland-Massillon Rd.
Suite 200
Akron, OH 44333
330-434-2000
Fax: 330-665-1515
www.symphony-financial.com

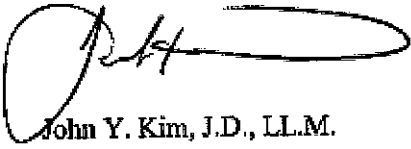
- **Not all cracks in the dike lead to a major break.** This is a really tricky part about investing--how to discern the difference between a cyclical issue and a secular issue. Cyclical issues are short-term blips that don't cause major long-term damage. Secular issues are multi-year problems that left untreated may cause real trouble. Overcompensating for the former and under-compensating for the latter is a bad combination.
- **When a major break does occur, it can lead to massive flooding.** Almost all traditional asset classes declined during the 2007-2009 bear market, so it was hard to find shelter from the storm. Even many of the so called "smart investors," such as hedge funds, discovered that they too were vulnerable to the market's vicissitudes, according to Bloomberg.
- **Hundred-year floods seem to happen much more frequently than theory suggests.** Just since 1950, the U.S. has experienced 10 bear markets, defined as a drop of 20% or more from the market's previous high, according to Standard & Poor's. Excluding the most recent bear market, the average decline during these bear markets was 31.7%. And, don't forget, on October 19, 1987 the market dropped more than 20%--effectively a bear market in a day! This frequency of large declines makes it difficult to rely on modern portfolio theory as a panacea.
- **Dikes can be repaired and the flooding cleaned up.** After each of the first nine bear markets since 1950, the stock market went on to reach a new all-time high. We are currently in the 10th bear market so the jury is still out on whether we'll hit a new one again. However, unless you think the world is coming to an end soon, chances are the stock market will regain its previous high. *When* that new high will happen is subject to fierce debate.
- **Bad floods may leave lasting damage--both physical and psychological.** After particularly bad investment experiences, some investors yank their money from the market and seek safer pastures. It's akin to people who grew up during the depression and developed a lifelong habit of frugality; they were never quite able to shake the trauma of their early lean years. Financial wounds may heal, but scars persist.
- **People continue to build homes in flood-prone areas.** The reverse from above is also true. Some people have short investment memories and quickly bounce back into their aggressive investment ways. Rather than learn from the past, they continue to repeat it and hope that they will somehow manage to dodge the next bullet.

With the large rally we've seen since the March 2009 low, we seem to be in the "Dikes can be repaired and the flooding cleaned up" stage. However, given the size of the flood (bear market) we experienced, the clean-up stage could continue for some time and the chance of further flooding still remains.

Weekly Focus – Think About It

"Experience fails to teach where there is no desire to learn."
--George Bernard Shaw

Best regards,



John Y. Kim, J.D., LL.M.

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** The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.*

** The Nasdaq Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.*

** Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.*

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