

Observations

- Congratulations to the American taxpayer who is now the majority shareholder of General Motors. And just as with the Chrysler bankruptcy, the GM bond holders draw the short straw. Here is the irony of the political weight that crushed the GM and Chrysler bond holders. Many of the bonds were owned by union pension funds either directly or indirectly. If bankruptcy was inevitable, why was this not the course taken back in December?
- Let's keep things in perspective. The economic news is "less bad" which is different than figures heading in a positive direction. Let's make sure the "green shoots" are something useful and not weeds. The economy will improve; it just may be too soon to pronounce smooth sailing on the path to economic recovery.

Facts & Figures of Importance

Economic

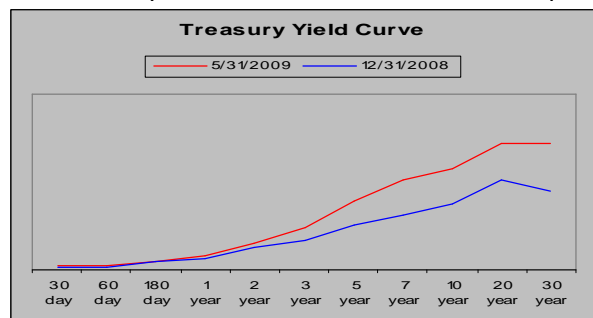
The Energy Information Administration provides us with the following table. As May ends, oil prices are over \$60 per barrel and retail gasoline prices around \$2.50 per gallon. So have speculators and refiners put the squeeze on consumers or has the EIA underestimated its forecast? Look at the profit margins of the refiners as we think it is the former that has pushed retail gasoline prices higher, which act as an indirect tax on the consumer and hampers the recovery.

Period Measured	West Texas Crude Spot Price	Refiner Resale Gas Price	Retail Price	Retail Profit Margin
Q1 2008	\$97.94	\$2.49	\$3.11	\$.62 - 24.9%
Q2 2008	\$123.95	\$3.15	\$3.76	\$.61 - 19.3%
Q3 2008	\$118.05	\$3.15	\$3.85	\$.70 - 22.2%
Q4 2008	\$58.35	\$1.54	\$2.30	\$.76 - 49.4%
Q1 2009	\$42.90	\$1.33	\$1.89	\$.56 - 42.1%
Q2 2009	\$53.22	\$1.60	\$2.17	\$.57 - 35.6%
Q3 2009	\$55.00	\$1.62	\$2.25	\$.63 - 38.9%
Q4 2009	\$55.67	\$1.55	\$2.18	\$.63 - 40.7%
Q1 2010	\$56.00	\$1.62	\$2.22	\$.60 - 37.0%
Q2 2010	\$57.00	\$1.72	\$2.33	\$.61 - 35.5%
Q3 2010	\$58.33	\$1.74	\$2.36	\$.62 - 35.6%
Q4 2010	\$59.67	\$1.65	2.27\$	\$.62 - 38.6%

Financial

	Treasury Yields		Equity Markets	
	5 Year	10 Year	S&P 500	DJWilshire 5000
2005	4.35%	4.39%	1,248	12,518
2006	4.70%	4.71%	1,336	14,257
2007	3.45%	4.04%	1,468	14,819
2008	2.55%	3.51%	896	8,945
May 31, 2009	2.34%	3.47%	919	9,408
YTD Return			2.96%	3.54%

The Treasury curve returns to a more "normal" slope.



Economic Outlook

- The consumer has traditionally comprised approximately 66% of GDP. As federal government stimulus spending kicks-in, expect consumer spending and business investment to scale back. This is not healthy for the long-run of the US economy.
- Don't fight the Fed is one of many Wall Street sayings. The Fed would like lower interest rates; however the bond market is pushing back as rates increased in May.
- Yes, the US dollar is weakening, but where is there a currency that the world can have confidence? For the sake of global economic stability, we need to show economic responsibility.

Investment Outlook

- Buy and hold is not dead for the investor focused on long-term goals. Factor in taxes, trading costs, and timing decisions and traders do not measure up to skilled long-term investors. Investing is more like a marathon, not a sprint.
- To properly evaluate the true earnings in the financial services sector, pay attention to accounting methods being applied. It would be even more prudent to evaluate earnings under different accounting methods to better understand what truly drives earnings.
- While it feels good to have cash, it is unlikely that cash is the best place for a large chunk of most investment portfolios as yields are so low.

This commentary may not be reproduced or distributed without the express written authorization of QRS Wealth Management LLC. The opinions expressed in this document are for informational purposes only. It is possible that this information is dated and should not be used to make any financial or investment decision. Please see the Disclaimer page at www.qrswm.com for additional information.

Insightful Thoughts of Others

We cannot and will not sustain deficits like these without end. We cannot simply spend as we please.

– President Barack Obama

The long-term deficit and debt that we have accumulated is unsustainable. We can't keep on just borrowing from China or borrowing from other countries.

– President Barack Obama

...current inflation fear-mongering is partly political, coming largely from economists who had no problem with deficits caused by tax cuts but suddenly became fiscal scolds when the government started spending money to rescue the economy.

– Paul Krugman, economist

Inside every cynical person, there is a disappointed idealist.

– George Carlin



A Few More Things

- Be on the lookout for “experts” who manipulate facts and figures in order to sell you something. Happens in our business all the time. The media and politicians are masters of this game. It is not only what they say, it is also how they say it and what they do not say.
- What is not in the news, but should stay on the radar is the national healthcare plan that is being put together in Washington. Watch the language as this will not an insurance plan, but a payment plan. Insurance is a contract where one party indemnifies another party against a specific loss in exchange for a premium. Let's see what this plan will cover and who will pay premiums. Do you really want the government with a say in your healthcare?
- Why is the government placing conditions on repayment of TARP and other funds? Having taxpayer funds returned ASAP should be the goal. Lehman Brothers is in the process of liquidating and the world has not fallen apart. Risk taking should not guarantee success. Failure needs to be present to encourage prudent judgment market efficiency.
- Is maintaining the limit for FDIC insurance at \$250,000 through 2013 such a good idea? Granted the temporary increase in 2008 which raised coverage from \$100,000 to \$250,000 provided a needed boost to the confidence of the US banking system. However, now that the crisis is in the rearview mirror will not a higher limit imply that bankers may take more risk? Is that not the behavior from bankers that contributed to the economic slide?
- When it is time for you to purchase a new car, will a GM or Chrysler product be on your shopping list? Our tarot cards are showing one of two scenarios. The first is that like most government ventures into the private sector, GM and Chrysler will be poorly managed; lose money, and market share to other automakers. The second scenario has GM and Chrysler will being poorly managed, losing money, and selling adequate automobiles at substantially low prices in order to win market share. What will be interesting is when the government sells off it's ownership to the public. Bet on a private equity firm getting a sweetheart deal.
- It is not a question of “if”, but “when” the next “crisis” (a word that is used far too often and not in the proper context) will appear. The media thrive on making mountains out of mole hills. Crises present opportunities for politicians to further champion their self-importance.
- Happy Father's Day to all the Dads and Congratulations to all the new college and high school Grads.

This commentary may not be reproduced or distributed without the express written authorization of QRS Wealth Management LLC. The opinions expressed in this document are for informational purposes only. It is possible that this information is dated and should not be used to make any financial or investment decision. Please see the Disclaimer page at www.qrswm.com for additional information.