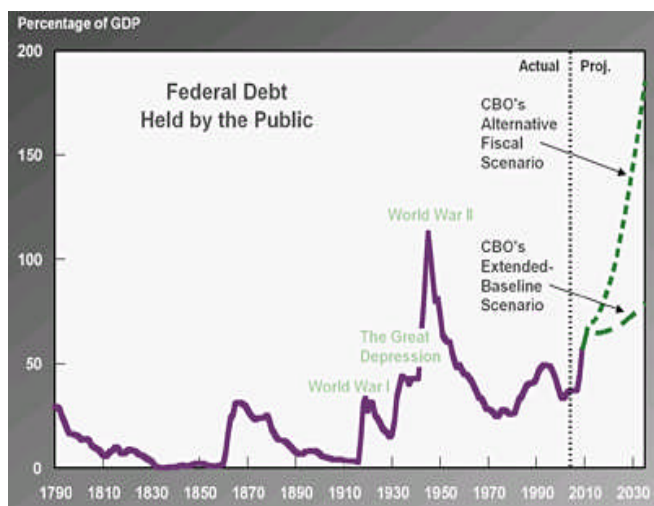


## Observations

- Do not expect much to take place between now and Election Day, except for hot air and mud slinging ads on your television from politicians (the usual). Both parties are ducking rotten fruit and veggies being hurled their way by those of us in the unwashed masses. The problem remains Washington DC is scaring Main Street.
- The reason you are not reading about a double dip recession here is that the recession that began in 2007 has yet to end. The two most likely items that can derail the slow healing of the US economy are continued ineffective and overreaching government policies or low likelihood shocks actually happening (natural disasters or wars for example). There is always a possibility things could worsen. More likely, while it will feel like we are swimming in quicksand, the economy will just slowly improve year-to-year.

## Facts & Figures of Importance

### Economic



The spending in WWII was for our military to defeat the Axis powers. America's fight in WWII was a noble cause. When WWII ended, there was a brief slow-down as the economy shifted to the private sector via pent-up demand for consumer goods. To what ends can the trillions of current spending be justified? Look at how and where the bulk of government spending is going. There has not and will not be any productive return on this spending. Interest and entitlements at this level are not sustainable even with the coming tax increases.

### Economic Outlook

- Two steps up and one step back would be better than the other way around as experts analyze each day's new economic data. Focus remains on long-term trends.
- Deflation fears are not due to consumers believing prices will be lower in the future; it is due to consumer's fear of not having income (i.e. not having a job). Any jobs out there?
- Europe's economic concerns will resurface to scare the world.
- Japanese government officials are implementing a new & improved growth plan for the umpteenth time to end the countries prolonged economic slump.....again.

### 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	1.94%	2.96%	896	9,087
2009	2.69%	3.85%	1,115	11,562
7/31/10	1.60%	2.94%	1,102	11,569
YTD Return			-1.21%	0.06%

### Which Stock Appears More Favorable Based on the Graphs?



Be careful when viewing graphs. The presenter can manipulate the data to make it fit with his or her story. The above graphs both show the price movements of the same stock over the same time period. The graph on the left is "logarithmic" versus the chart on the right which is "linear". Understand what's behind the numbers and how the information may look if presented in a different manner.

### Investment Outlook

- Inflation and interest rate hikes will continue to simmer on a back burner and the cook does not care. When it eventually boils over, long-term US Treasuries will take a beating. Be careful chasing yields. There is still plenty of risk out there.
- Pending tax law changes could cause "adjustments in markets later this year.
- Corporate America is adjusting to the "new normal". Growing earnings is always a challenge, and the rate of growth may be reduced, but people do not go to work each day to make less. Profits eventually to carry the day.

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## Insightful Thoughts of Others

Repetition does not transform a lie into a truth. We, and all others who believe in freedom as deeply as we do, would rather die on our feet than live on our knees.

Franklin D. Roosevelt

You can never get all the facts from just one newspaper, and unless you have all the facts, you cannot make proper judgments about what is going on.

Harry S. Truman

The only things worth learning are the things you learn after you know it all.

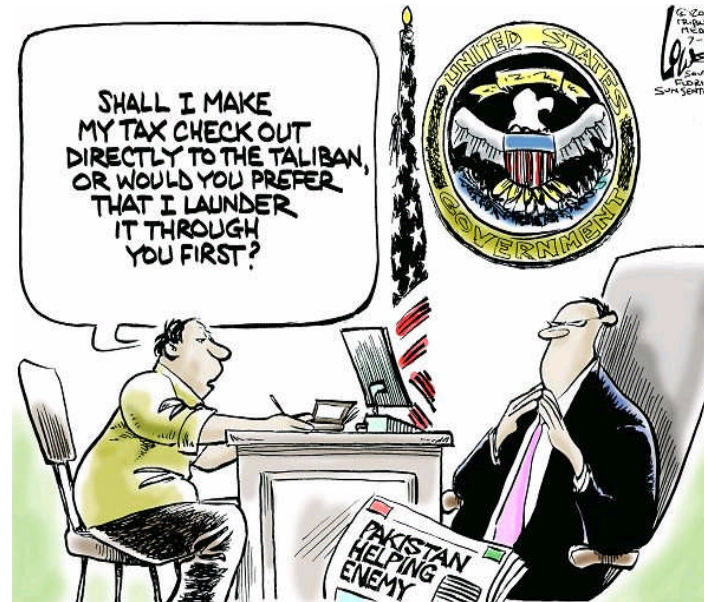
Harry S. Truman

"The great enemy of the truth is very often not the lie - deliberate, contrived and dishonest - but the myth - persistent, persuasive and unrealistic".

John F. Kennedy

Everyone is entitled to his own opinion, but not his own facts.

Daniel Patrick Moynihan



## A Few More Things

- ❑ Pick a "great" civilization; Greeks, Egyptians, Romans, or any other you choose, and what they all have in common is that the sun set on them. Who knows how long the United States of America will continue based upon the principles of its founding? America can maintain and advance its leading status in the world if we are willing to work more and talk less. Sacrifices must be made by everyone. Learning from and not repeating our past mistakes would be wise. Do not underestimate the precarious position that the US has brought upon itself. There is a way out, however the margin for error reduces each day we wait. America in 10, 20, 50, or 100 years from now will be different. Will it be a better or worse nation? **The obvious answer is yes.**
- ❑ **What is the worse that can happen?** Take the doom and gloom is coming tomorrow pundits with much more than a pinch of salt. The end will come someday, but not this week (and if we're wrong about this week so what?) The developed world's economy is built on trust. Fiat money is the lifeblood of that economy. In the unlikely event of a total system collapse, cash, be it paper or a computer entry, will be worthless. If you physically possess precious metals, maybe you will still acquire goods for a brief period. If you own land which you can farm, hunt, and fish, your survival chances are much better. Do you really believe there is any form of government that is not corrupt and will truly do what is in the best interests of its populace? Believe in yourself.
- ❑ **Would you like to pay for what you could get for free?** Very few on-line news providers can successfully charge a subscriber fee and remain profitable. *The London Times* will become a textbook example of how to turn-off your customers. The paper started charging a fee to view on-line content and lost 90% of its traffic in just three weeks. Rupert Murdoch may be profitable charging a fee for the *Wall Street Journal* (which in this writer's opinion has slipped over the years) on-line, but what is so unique in the *London Times* that cannot be found in other on-line rags? The internet is helping to create better news organizations and journalists.
- ❑ As **states and municipalities begin the transition to the new economic realities**, the media coverage focuses on the biggest fish, California, keep watch on Illinois and New Jersey where the fire is a bit hotter. The budget battles within states and municipalities, especially in a weak housing environment will be ugly. Anyone who believes that we can simply tax our way out of this mess should take a refresher in math.

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