The Markets

A dose of good news from a European summit last Friday helped fuel a strong rally in world financial markets and took some of the sting out of a weak second quarter.

With the expectation bar set very low, the 19th European Union (EU) summit since 2008 "delivered more steps toward fiscal integration than pessimistic investors had expected," according to *The Wall Street Journal*.

Four new measures in particular sent a signal to investors that the EU is taking steps toward a banking union, which could lead to a fiscal union, which could lead to a political union, which could lead to a much stronger European economic bloc. Even though much would have to go right for that sequence of events to occur, investors felt Germany made some important concessions at the meeting which could eventually pave the way for a stronger EU. So, maybe, just maybe, the 19th time is the charm. We'll see.

After an incredibly strong first quarter, stocks gave up some of those gains in the second quarter as the S&P 500 index dropped 3.3 percent. Here are a few concerns that weighed on investors during the past three months:

1. Political question marks in the U.S.
2. Another flare-up of worry over Europe
3. Slowing global economic growth
4. Concern that the Federal Reserve may be near the limit in its ability to prop up the economy

Despite these worries, the S&P 500 index is still up a very respectable 8.3 percent for the year due to the very strong first quarter.

The second half of the year will likely offer some fireworks as we have a presidential election, the continuing saga in Europe, and a looming "fiscal cliff" at the end of the year, which could usher in a number of major tax-and-spending changes, according to BusinessWeek.

In the meantime, enjoy the 4th of July fireworks this week!

Data as of 6/29/12	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.0%	8.3%	1.7%	13.7%	-2.0%	3.5%
DJ Global ex US (Foreign Stocks)	2.7	1.1	-16.0	4.5	-7.0	4.7
10-year Treasury Note (Yield Only)	1.7	N/A	3.1	3.5	5.0	4.8
Gold (per ounce)	2.1	1.5	6.3	19.6	19.7	17.7
DJ-UBS Commodity Index	5.6	-3.7	-14.8	2.8	-4.4	3.1
DJ Equity All REIT TR Index	4.1	14.9	12.9	32.3	2.6	10.4

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.

WHAT CAN TENNIS TEACH US ABOUT SUCCEEDING IN THE FINANCIAL MARKETS? Dr. Simon Ramo, a legendary engineer and an architect of our country's rise as a global technology leader, wrote a book in 1970 about, of all things, tennis, titled *Extraordinary Tennis for the Ordinary Player*. The engineer in him noticed that the game of tennis involves two games – one is played at the professional level and the other is played at the weekend warrior level. Now, that's not particularly brilliant, but the conclusion he reached from his observation is.

After extensive analysis, Ramo concluded that professional tennis players ***win*** points while amateur players ***lose*** points.

In other words, for professionals, most points are won by the pro hitting a spectacular winning shot that is just out of reach of their opponent (a "winner's game"), while amateurs typically lose points by making an unforced error (a "loser's game").

Writing in a famous 1975 *Financial Analysts Journal* article, noted investment analyst Charles Ellis extended Ramo's tennis concept to the investment business. Ellis said investing had flipped from being a winner's game to a loser's game. He meant that to succeed at investing, you need to focus on making fewer avoidable errors as opposed to making spectacular winning investments.

So, how do you make fewer avoidable errors?

The key is to focus on getting the ball over the net instead of trying to always serve aces. Here are three ways we try to do that:

1. Keep investment expenses low.
2. Keep trading frequency to a reasonable level.
3. Keep emotions in check so we don't let fear and greed get the best of us.

If our main focus was on trying to hit aces all the time, then we'd likely end up with lots of double faults. And, with too many double faults, we won't achieve your goals, let alone make it to Wimbledon.

Weekly Focus – Think About It…

"Control the things you can control."

Sam Stosur, professional tennis player

Best regards,
From your Petra Benefits Team

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

* This newsletter was prepared by Peak Advisor Alliance. Peak Advisor Alliance is not affiliated with the named broker/dealer.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.
* The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.
* The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Past performance does not guarantee future results.
* You cannot invest directly in an index.
* Consult your financial professional before making any investment decision.

Sources:
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