FPS
FINANCIAL, INC.

919 Old Highway 8 NW, Suite 400
New Brighton, MN 55112
651.633.2689 • FAX 651.633.2847
www.fpsfinancial.net

May 26, 2010

Dear Client,

During my career over the last twenty years, I have witnessed the market's reaction to the Persian Gulf War (1990), the real estate and savings and loan crisis of the early 90s, the Asian financial crisis (1997), the Russian financial crisis and collapse of the long-term capital management hedge fund (1998), the technology crash (2000), and the crashes of 2008 and 2009. In the last 20 years, despite these events, the Dow Jones[1] has risen over 257%! There is never a lack of negative events happening somewhere in the world for our markets to temporarily get caught up in. In recent weeks, there has been a list of new issues that face the market. These events include the following:

- ✓ The Sovereign Debt Crisis in Greece,
- ✓ The Euro declining substantially in value compared to other world currencies,
- ✓ The British Petroleum oil spill in the Gulf of Mexico,
- ✓ The largest reform of financial regulations since the 1930s (FNREG)

The current challenges listed above have created a cloud over the financial markets over the last several weeks. In the period from April 23, 2010 through May 24, 2010, the market, as measured by the S&P 500[1], has declined by about 12%; thereby, marking the first pull-back (correction) that we have seen since March 9, 2009. Just prior to this correction, we had a 14 month period (March 9, 2009 through April 23, 2010) where the market, as measured by the S&P 500, had increased by 80%! Unfortunately, even though corrections are normal and expected, it gets our attention and may motivate investors to deviate from their asset management strategy that has been developed for specific long-term goals and objectives.

Just four weeks ago, analysts and economists were focusing on positive developments across the globe. Commentary focused on the following economic data:

- ✓ First quarter corporate earnings for the S&P 500 grew 55% from a year earlier and 77% of these companies beat their Wall Street earnings estimates[2],
- ✓ Consumer confidence rebounding in line with previous economic recoveries,
- ✓ Balance sheets of banks and consumers dramatically improving,
- ✓ US economy producing jobs, again.

It's important to note, for the sake of time and space, that this is an abbreviated list of positive events that are occurring in our economy at this time. The negative events that are creating the current pull back in the market may have no impact on the economic recovery that is in place.

This is the time in the market when it is critical to stay focused on your long-term goals. In the last couple of years we have seen our investment markets hit twice. And, those who sold at the bottom in March of 2009 missed the subsequent recovery, 80% in 14 months. Subsequently, those who sold at the bottom of the "flash crash" just a few weeks ago missed a recovery that occurred the same day! The ride can be rough, but with a properly diversified and designed portfolio and a historical perspective, you may be in a better position to ultimately get where you want to go.

As always, feel free to call, write or email back with any new information on your end that would have an impact on your wealth management plan.

Sincerely,

Mike

Mike Ovshak, CFP®

[1] *All indices are unmanaged and investors cannot invest directly into an index. Past performance is not indicative of future results. The Dow Jones Industrial Average is a price-weighted average of 30 actively traded blue-chip stocks. The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks.*

[2] *According to Bloomberg*