



### **TradePMR Going With First Clearing**

In August, TradePMR is going to change clearing firms from Sterne, Agee & Leach Inc. to First Clearing. First Clearing is owned by Wells Fargo and is a very large clearing firm based in St. Louis.

Since clearing firms generally operate behind the scenes executing trades, the changes will probably be rather unnoticeable. You will still log into your account as you normally would and most account fees and trading commissions will be unchanged. If you have an automatic fund transfers going to or coming from your investment account, it will continue. No new form is needed.

Once the changeover happens, any checks written to your accounts will be made out to “**First Clearing**” or “**F.C.C.**” They will send you new checks if you have checkwriting on your account. You will need to destroy any old ones. Beneficiary forms will need to be updated and I believe they are sending them to you.

You can check out a press release from TradePMR at  
<http://www.tradepmr.com/Views/AboutOurCompany/PressReleases/FirstClearingRelease.aspx>

As in the past, Capital Portfolio Advisors, Inc. will remain independent from TradePMR and First Clearing and I am not considered a representative or employee of either firm. They are just the brokerage firm I chose to manage my client accounts through. TradePMR looks at me as a client instead of an employee.

This is an important point, because many people are not aware of the differences between the various types of financial advisors.

As a Registered Investment Advisor, or RIA, I have a fiduciary duty to each client to make recommendations that I feel are the best I can make. There is a different standard of care with other types of advisors.

Traditional commission-based advisors do not have any such fiduciary standard, instead they are held to a much weaker “suitability” standard. This lower standard opens the door for firms to pressure their brokers to push proprietary products or to favor various types of investments that may be more in the interests of the corporate home office than the client. RIAs are held to a higher level of objectivity. Also, since I am totally independent, there is no corporate home office pushing me to do anything. That remains the same.

If you have any questions about the changeover, please just give me a call and we can discuss it further.



## Economic Review

The second quarter of 2011 experienced a rollercoaster stock market with a very strong rebound at the end. After the dust settled on the quarter, Large, Mid and Small Cap **Growth** stocks general asset classes all finished slightly positive with value stocks finishing slightly down for the quarter.



The reasons for the volatility stemmed from continued problems with Greece trying to avoid defaulting on their national debt, a poor GDP number reported for 1Q and worsening unemployment.

Greece's debt problems are made worse by their lackluster economy. To compare them to the U.S., according to [TradingEconomics.com](#), the ratio of debt to GDP in the U.S. is about 93%. Uncomfortably high no matter how you slice it. Greece's debt is a smothering 142% of GDP.

Greece has reached a point where they just cannot dig their way out alone with their uncompetitive economy and the huge demands placed on it by its socialist economic system.

Japan has even more debt as a percentage of GDP but their relatively strong economy is keeping them afloat so far. Their economy also does not have the socialist financial demands placed on it as Greece does.

The following are the latest Debt/GDP ratios according to [TradingEconomics.com](#),

- 1) Japan 220.3%
- 2) Greece 142.8%
- 3) Italy 119.0%
- 4) Singapore 97.2%
- 5) Belgium 96.8%
- 6) Ireland 96.2%
- 7) United States 93.2%
- 8) Portugal 93.0%
- 9) Iceland 87.8%
- 10) Euro Area 85.1%

Looking back, according to [TradingEconomics.com](#), here are the same countries and their debt/GDP ratios in 2007:

- 1) Japan 187.7%
- 2) Greece 105.4%
- 3) Italy 103.6%
- 4) Singapore 85.9%
- 5) Belgium 84.2%
- 6) Ireland 25.0%
- 7) United States 64.4%
- 8) Portugal 68.3%
- 9) Iceland 28.5%
- 10) Euro Area 66.2%



Japan has maintained a very high debt/GDP ratio for many years, too. It has been a drag on their economy and stock market for decades. The first quarter GDP has been revised up a bit to a fairly disappointing 1.9% annualized growth rate which was down significantly from the fourth quarter's more robust 3.1% annualized growth rate. The GDP number was affected by a reduction in government spending and the effects of the Japan tsunami. Unemployment has ticked up in April, May and June and stands at 9.2%. Inflation has continued to rise and finished May at 3.6%.

Despite these headwinds, corporate profitability has been stellar so far this year. According to [The Investment News](#), the companies of the S&P 500 boosted their earnings 13% in the second quarter.

---

### Year-to-Date Asset Classes

Here are some selected mutual fund classes and indexes in descending performance order through the 2nd quarter of 2011 according to Morningstar. The categories in red are negative year-to-date.

1. Real Estate
2. Small Cap Growth
3. Dow Jones Industrial
4. Mid Cap Growth
5. Europe Stock
6. Mid Cap Value
7. S&P 500 Index
8. Large Cap Value
9. Large Cap Growth
10. iShares Gold Trust (Gold)
11. Inflation Protected Bond
12. Small Cap Value
13. NasdaqComposite
14. Muni National Long
15. High Yield Bond
16. Technology Stocks
17. Long Term Bond
18. Intermediate Bond
19. Bank Loan Bond
20. Long Gov't Bond
21. Natural Resources
22. 6 mth CD
23. Money Market
24. Diversified Emerging Markets
25. Latin America Stock
26. Japan Stock
27. Bear Market
28. Equity Precious Metals

As always, remember that **past performance does not guarantee future results**. Also, looking at short-term performance can be quite misleading.



There was quite a shake-up in asset class relative rankings from the 1Q to 2Q. Some of the biggest movers were Real Estate jumping into the top spot and Natural Resources falling all the way from the 3<sup>rd</sup> spot to the 21<sup>st</sup> spot. Emerging Markets and Japan are still showing a year-to-date loss.

If the markets didn't rebound dramatically at the end of 2Q, many of these asset classes would be in the red.

Also note how divergent the performance of the precious metal gold in 10<sup>th</sup> place and the precious metals mining stocks in last place have been this year.

Also, the difference between #1 Real Estate and the # 23 Money Market fund is slightly less than 10%. Not too dramatic. Both 6 month CDs and Money Market Funds continue to yield less than 1% annual rates.

---

Have a great Summer!

Dennis



© 2011 Capital Portfolio Advisors, Inc. All Rights Reserved

This newsletter is designed to provide accurate and authoritative information in regard to the subject matter covered. Capital Portfolio Advisors, Inc. is not engaged in rendering legal or accounting advice. The services of an attorney or accountant should be sought in connection with any legal or tax matter covered. This newsletter is not intended to recommend any particular investment or guarantee investment performance. Past performance does not guarantee future results. Please contact Capital Portfolio Advisors, Inc. if there have been any changes in your financial situation or investment objectives, or if you wish to impose any reasonable restrictions on the +management of your account or reasonably modify existing restrictions.