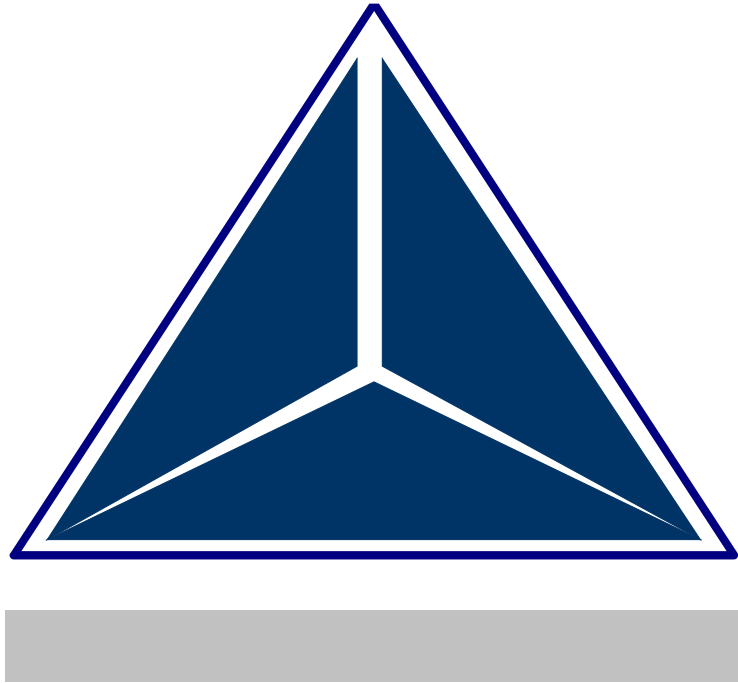


SUMMIT FINANCIAL RESOURCES, INC.



**Monthly Investment
Newsletter**

August 2009

The Capital Markets

The upward trajectory of the capital markets that began on March 9th continued unabated through August. The S&P 500 Index was up 3.6% for the month and rose above the psychologically important 1,000 mark for the first time since last November. The Dow Jones Industrial Average, itself only 5.3% away from its own milestone (10,000), tacked on an additional 325 points for the month.

Internationally, the dollar's fall to an 11 month low assisted dollar based returns of foreign investments. Specifically, the MSCI EAFE Developed Markets Index was up 5.4% for the month.

Emerging markets witnessed bouts of negative volatility and heightened investor caution. China, in particular, pulled back during the month after more than doubling from the country's market low last November. The main catalyst was governmental efforts to dial back expansionary measures. For the month, the MSCI Emerging Markets Index was down 0.4%.

Market participants were emboldened by expectation beating, albeit paltry, earnings reports. Gradual improvement of some economic statistics and the increasing chance of the economy's resumption of growth this quarter also helped.

The Federal Reserve's aggressive monetary stance, as of yet debatably beneficial to the real economy, has also provided copious amounts of cheap fuel to propel the markets higher. As proof of the exceedingly low interest rate environment, one need only consider that out of the top five months for corporate bond issuance since 2001, four of them have been in 2009.

Furthering the discussion of fixed income, Treasury yields ended the month relatively flat, with the 10-year note yielding 8 basis points less than at the start of the period. The Barclays U.S. Aggregate delivered a 1.2% return for the month.

For the year to date, domestic stocks are up 15.0%, international stocks are up 24.2%, and the aggregate fixed income market is up 2.2%.

The Economy

The first half of the year witnessed a business panic of sorts as payrolls were chopped, inventories were decimated, and business investment ground to a near standstill. The sense in the third quarter is that these actions were perhaps overdone. At the very least, depleted inventories are now at healthier levels and will need to be maintained, if not expanded, going forward.

The manufacturing sector confirms the notion of increased activity.

- Durable goods orders rose 4.9% in July, the largest increase in over two years.
- The ISM Manufacturing Index came in at 52.9 for August, its first expansionary reading (above 50) in 18 months.
- Industrial production was up in July, the first time in nine months.

The government's cash for clunkers program provided a boost to autos and manufacturing as well. Nearly 700,000 cars were sold under the \$3 billion program. Unfortunately, wealth is not created by destruction and [perceived] economic benefits of the program are likely to be short lived. In all likelihood, this program merely pulled forward future demand, robbed consumer spending from other areas, erroneously micromanaged one segment of the economy, and pushed more debt on an already overly levered consumer.

Housing metrics have been positive. We continue to believe this economic segment is in a bottoming process but caution that the underlying details of some industry reports are not quite as bullish as headlines might suggest.

The level of unsold homes continues a positive trend with inventory at the end of July coming in 27% below that of the previous year. An

apples-to-apples comparison is challenging, however, as foreclosures and properties converted to rentals are not included in inventory.

The S&P/Case Shiller home price index rose in July for the second month in a row with 18 of the indices' 20 markets showing sequential gains.

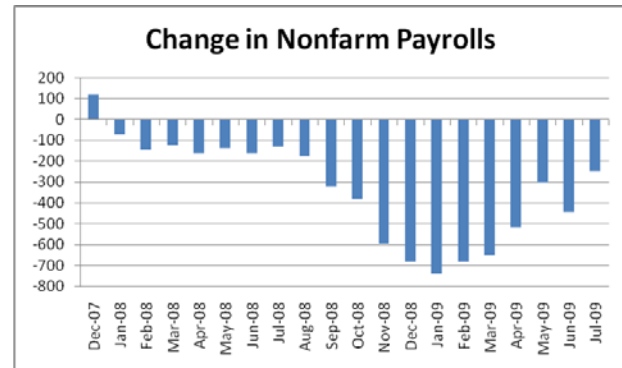
Pending home sales have surged and were up a fifth straight month in June. Existing home sales, a close cousin, reached the highest level in two years. The metric's latest reading was the fourth monthly increase in a row and the largest sequential monthly rise in a decade, up 7.2%. Despite the positives, challenges remain in the residential housing market. Activity is currently focused at lower price points and the majority of sales are still considered distressed or forced. Monitoring these particular factors over time will help to evaluate the health of the housing market.

While indications on the residential side may show some early signs of improvement, commercial real estate has significant challenges going forward and merits careful attention.

- A significant amount of debt comes due in the near term (\$1 of \$6 trillion outstanding) while delinquencies and charge-offs are on the rise – certainly an ominous combination.
- Office, retail, and industrial vacancy rates are high and rising. Office vacancies in 2010 are forecast to exceed levels last seen in the real estate crisis of the early 90's.

The Conference Board's measure of consumer confidence improved in August after two previous months of decline. On Wall Street, the improvement was welcome relief and provided further impetus to maintain or increase the risk posture of portfolios. Despite the improvement in sentiment, consumption and retail sales have been somewhat disappointing (aside from the government's boost to auto sales through the cash for clunkers program).

Although they are feeling better about the future, consumers really need employment levels to cooperate in order to put their money where their confidence is. The July payrolls report showed job losses continuing, albeit at a decreased rate. The following graph shows the trend now moving in the right direction.



Source: U.S. Bureau of Labor Statistics

Equally encouraging was a downtick in the rate of unemployment to 9.4%. Although this largely reflects a monthly departure of 490,000 workers from the labor force, the result was far better than most economists expected. Job creation is important for this economy as 1.5 million of the nine million people currently relying on unemployment insurance will exhaust benefits in coming months.

Lastly, what's new out of government?

- Ben Bernanke, was reappointed to serve another term.
- State budgets had their widest shortfalls in modern history - \$143 billion.
- The Treasury will borrow \$1.39 trillion for the fiscal year ending September 30th.
- The White House lowered the deficit estimate for this year to \$1.58 trillion while raising the ten year estimate by \$2 trillion.

As the summer winds down and normal schedules resume, it will be interesting to observe how the economy and capital markets evolve for the remainder of this year's second half.

Disclaimers

Source of Performance: Bloomberg. Indices are unmanaged and cannot be invested into directly. The investment and market data contained in this newsletter is not an offer to sell or purchase any security or commodity. Standard & Poor's 500 Index (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average (DJIA) is a price weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The MSCI Developed Markets Index is an index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global developed markets. Past performance does not guarantee future results. Information throughout this Newsletter, whether stock quotes, charts, articles, or any other statement or statements regarding market or other financial information, is obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Neither we nor our information providers shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or for any delay or interruption in the transmission thereof to the reader. Opinions expressed are subject to change without notice and are not intended as investment advice or a guarantee of future performance. Consult your financial professional before making any investment decision.

Robert L. Iola, Jr., CLU, ChFC is a registered representative with Summit Financial Resources, Inc. and Summit Equities, Inc. Securities and Investment Advisory Services offered through **Summit Equities, Inc.**, Member FINRA/SIPC, and Financial Planning Services offered through **Summit Financial Resources, Inc.** 4 Campus Drive, Parsippany, NJ 07054. Tel. 973-285-3600 Fax. 973-285-3666.