Quantitative Asset Management, LLC
Investment & Advisory Services

Newsletter

July 8, 2010

Dear Clients,

Quarter Ending June 30, 2010		
Year to Date Performance	**YTD**	**Last Full Quarter**
Dow Jones Industrial Averages	-5.00%	-9.37%
NASDAQ Composite Price	-7.05%	-12.04%
Standard & Poor's Averages	-6.65%	-11.43%
Barclay's Capital Bond Index	5.49%	3.88%
EAFE-Global Markets	-12.94%	-13.74%

As you can see from the market indexes we have entered the corrective phase of our market cycle. The second quarter and year-to-date numbers reflect today's bearish sentiment. I am amazed it has not been even worse given the headlines we have had to endure. From double dip recession, to British Petroleum, Greek and European economic issues and China's slowing growth, how could markets possibly rise? The other day the Yahoo Finance headlines at the beginning of the trading sessions read: *"Wall Street Tumbles Amid Global Economy Worries, Consumer Data:*

…Dow Below 10,000
…Consumer confidence tumbles in June
…Financial reform wont' prevent next crash
…3 biggest lies about the economy
… Fannie-Freddie bailout could cost taxpayers $1 trillion
…Top adviser largely in cash for more than decade
…High unemployment, lower stocks, growing worries: Is it 1930 all over again."

A few days later, the Wall Street Journal ran a major article entitled *"If a depression is on your mind, here's what to do."* Who in their right mind would invest in the stock market given this press?

Corrections are a natural part of market activity. Today, we still have significant cash reserves that earn close to zero. Most corporations have hoarded cash, i.e. cut dividends and cut expenses, and are thus in better financial shape than they have been in quite some time. Eventually these

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companies will begin to invest in upgrading their operations, and the addition of the global consumer appetite of China, India and S.E. Asia will become evident.

Earnings season is upon us and comparables should look positive. The next question is: where do we go from here? I feel that business spending will improve and world consumer demand will provide future growth in the economy.

Zero interest rates are around for another year or so, as to allow our financial system time to mend. Access to capital by corporations and individuals will improve. If we can keep government out of our lives and minimize spending we should make it through this economic mess. The early 19th Century French philosopher Alexis de Tocqueville noted early in America's history, *"The American Republic will endure until the day Congress discovers that it can bribe the public with the public's money."* Our leaders in Washington may prove deTocqueville right if we don't revamp our current political and economic trends.

Today, investment opportunities do exist. Dividend payouts that were slashed last year should improve. Earnings should continue to improve, albeit at a slower pace than we've seen recently vs. our comparables from a year ago. It's only natural that the growth rates, vs. +50% off the bottoms, will slow, but positive growth is good!

Look for continued volatility, but in time financial stability will be achieved. Investor sentiment will eventually turn positive, but waiting for the news services to hype the recovery could be hazardous to your wealth!

Thanks for your continued loyalty, and stay tuned!

Sincerely,

Jeffrey L. Farni Sr.

**As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request.*

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