CLERMONT
WEALTH STRATEGIES

Market Commentary – August 8, 2011

As you know, Standard and Poor's downgraded their rating for U.S. government debt from AAA to AA+ with a further negative outlook on Friday after the markets closed. While the downgrade was not completely unanticipated, it creates further market uncertainty following a week of disconcerting economic news and market declines. In addition to the credit rating downgrade, there are three factors creating pressure on the financial markets.

1. The U.S. economy is not recovering as previously expected. The domestic situation is further aggravated by a concurrent global slowdown. Looking forward, this likely translates into lower corporate earnings and profits and puts pressure on unfortunate households already burdened by employment issues, excessive debt, and upside-down mortgages. Over the past several months the Fed pushed asset prices higher and encouraged household spending and corporate investment. However, the Fed's actions have not translated into a sustained increase in economic activity. Rather than the economy legitimizing the Fed-induced price increases, the gap between market valuations and economic fundamentals is now being closed through lower prices.
2. Confidence is clearly shaken because of inability of U.S. policymakers to resolve fundamental fiscal challenges in a collaborative effort. Although these politicians averted default, their public display of partisan politics impacted their credibility to resolve the significant debt issues facing the United States. Markets are clearly concerned that policymakers will be unable to put the economy back on the path of high growth and job creation. Investors are worried that Washington is running out of bullets when it comes to effective policy measures.
3. The Eurozone failed to act decisively in resolving the economic crisis in Greece, Ireland and Portugal thus contributing to the expansion of the problem into the larger economies of Italy and Spain.

We expect continued volatility and uncertainty as investors digest the news and react, often through fear and doubt, to address how the changes affect their portfolios. **For our part, we remain committed to managing portfolios with the long view. Our team works diligently to manage client portfolios to meet the long-term objectives that were defined and reviewed with our clients. At Clermont Wealth Strategies we do not discount the severity of the current market turbulence rather we strive to maintain a focused perspective to achieve client objectives. The end result is a professionally managed portfolio properly allocated across the major asset classes. Adhering to a disciplined approach maximizes the opportunity to achieve long-term goals while managing portfolio volatility.**

While the ratings downgrade is unfortunate and the market reaction unclear, it is our hope that perhaps the policymakers will realize that the time for partisan politics is over and the time for a serious debate to resolve the long term issues is at hand. Regardless of the outcome, Clermont Wealth Strategies is committed to helping you achieve your goals. Please contact your Relationship Manager with any questions or concerns, or call us at 866-332-8393.