

# Points on the Economy

## The Commerce Department

recently reported that the U.S. economy expanded 2.8% in the third quarter, following a full year of declining numbers. The report matched the median expectation of leading economists.

Two aspects of the federal stimulus drove the quarter's gain. First, the "cash for clunkers" program helped boost durable goods spending 22%, the largest gain since 2001. Second, the new home-buyers' tax credit helped increase residential construction at a 23% annual rate. This was the largest gain since 1986 and alone added 0.5% to GDP growth.

Absent the influence of auto sales, production and inventory changes, the economy grew less than a 2.0% pace for the period. The conclusion is that the stimulus efforts – accompanied by historically low interest rates – certainly added to growth in the quarter and helped bring an end to the "great recession".

So what's next? Even though the majority of the formal stimulus remains unspent, the combination of continued expansive monetary policy and massive budget deficits are stimulative in and of themselves. As such, we expect upcoming quarters will show a continuation of the third quarter's gain, although at a slower pace.

A major uncertainty is the extent to which third quarter growth "borrowed" from future activity. The end of the "cash for clunkers" program saw auto sales drop back to previously depressed levels. While tax credits increased housing construction, vacancies remain at about twice historic levels and foreclosures are at records. It's difficult to envision a continuation of sharp growth without significant additional incentive programs – which will further exacerbate the deficit issue and pressure on the dollar.

True growth will only come with sustained improvement in consumer spending. We see three interrelated preconditions to this:

- 1) A savings rate that provides a level of support and stability to individual balance sheets;
- 2) better sentiment data; and
- 3) improving employment data.

The first two are in process; the third is still months away.

As such, we conclude that the recession ended in the third quarter but recovery will be more gradual than consumer-led reversals of the past couple of decades. The median forecast is for 2.6% growth in 2010 and 3.0% in 2011, compared with an average of 3.4% per year over the last six decades. We have no argument with this outlook.

**"The worst is past, but the recovery will be slower than many expect."**

Index Returns	December	Q4	2009
DJIA	0.95%	8.10%	22.68%
S&P 500	1.93%	6.04%	26.47%
MSCI EAFE (USD)	1.46%	2.25%	32.18%
Barclays Aggregate	-1.56%	0.20%	5.93%
S&P GSCI	0.87%	8.42%	13.49%
Bond Rates	12/31/09	9/30/09	12/31/08
Fed Funds Target	0.25%	0.25%	0.25%
Prime Rate	3.25%	3.25%	3.25%
2-Yr Treasury	1.14%	0.94%	7.64%
10-Yr. Treasury	3.84%	3.31%	2.21%
HY Corp. spread	5.22%	7.00%	17.22%
IG Corp. spread	3.59%	4.54%	9.92%
EMD spread	3.19%	3.24%	8.43%

Source: Bloomberg and Morningstar as of 12/05/2010

Read the entire article at  
[snbwealth.com/publications.html](http://snbwealth.com/publications.html)

## Artisan International Inv (ARTIX)

Artisan International is a foreign large cap growth fund favoring companies which the manager, Mark Yockey, and his team of ten analysts believe are positioned to experience superior earnings growth. Yockey, after beginning his career with Waddell & Reed in 1990, came to Artisan Partners to start this fund in 1995. In 1998 he won the Morningstar™ International Stock Picker of the Year award. Yockey and his team remain flexible and will venture beyond traditional growth stock names and sectors, add names which are out-of-favor at the time of purchase, and invest in emerging-markets when they find attractive opportunities.

Security National Wealth Management began using ARTIX in client portfolios in September 2009 as an addition to our large cap developed international holdings, which in addition to Artisan, include Templeton Institutional Foreign Equity and Fidelity Advisor Diversified International. The fund's consistent outperformance, relative to its benchmark and peers, is what initially attracted us to the fund, and along with the fund's flexibility to pursue opportunities wherever Yockey and his team find a compelling story, make ARTIX a good fit for our clients' portfolios. - *Steven Witten, SNB*

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## PROFESSIONAL SPOTLIGHT

Steven Witten  
*Vice President  
Investment Services*



STEVEN started at Security in 2002 and is now the Vice President of Investment Management in the Wealth Management Division, where he is responsible for developing the division's equity investment management strategies and constructing client portfolios.

Steven is a graduate of Tarleton State University and received his M.B.A. from Texas Christian University's M.J. Neeley School of Business.

Steven is a trusted community leader, who serves on the Siouxland Community Blood Bank Board of Directors and the St. Luke's Children's Miracle Network Corporate Giving Committee. He is past Treasurer of the Sioux City Art Center Association and is a member of the Siouxland Dive Rescue organization and the United Way Garretson Society. Steven and his wife, Janna, are active in their church where Steven serves on the Parish Council.

The professionals of Security National Bank live the definitions of trust both at work and in the community. Working closely with each client and their other advisors to seamlessly integrate the three critical components of wealth management:

- Financial Planning
- Investment Management
- Estate Planning

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