



SHEPHERD FINANCIAL PARTNERS
EXPERIENCE TRUST COMMITMENT

Mid-June Market Commentary

We would like to take this opportunity to give you a brief update on our views of the recent Market activity. The Market has experienced a downturn recently due to a number of factors. Continued weakness in U.S. employment, manufacturing and housing as well as the ongoing Sovereign Debt crisis in Greece and renewed concern about Japanese recovery efforts have all weighed on global Markets. Add to these Federal Reserve comments indicating no further Quantitative Easing and the ongoing Debt Ceiling debate is not providing Investors or Consumers near-term confidence in Markets or the general economy.

The recent weak economic data in the U.S. is troubling but it is not yet indicative of an impending recession. Much of this data is backward-looking and came at a time of elevated commodity prices and massive supply-chain disruptions caused by the Japanese earthquake. Since then commodity prices have moderated and companies have increased clarity on the extent of their Japanese exposure. If there is a bright spot lately it has been in the Service Sector which accounts for over 75% of U.S. GDP. As measured by the ISM (Institute for Supply Management) Manufacturing Survey, the U.S. service sector has grown for 18 consecutive months and continues to grow.

Greece is being compared with Lehman Brothers in that a Greek sovereign debt default would trigger a massive global liquidity crisis and lead to another Great Recession. Could this happen? Yes. Will this be the most probable result? No. The difference between Lehman in 2008 and Greece in 2011 is that the central banks now all realize what the Lehman bankruptcy did to global markets and are making every effort to prevent a true debt default from occurring. The most likely outcome is Greece will receive additional bailout funds and they will be cajoled by other EU members (mainly Germany and France) to continue with austerity measures. While strikes and riots will be a fixture on Greek streets for some time to come, there should not be a true debt default.

As we wrote in our last newsletter, "You Can't Eat an iPad", the end of Quantitative Easing efforts by the Fed has generally resulted in increased volatility and sideways to down markets and we responded by increasing the level of cash in our portfolios. We remain in this more conservative position and believe that markets will remain volatile throughout the summer. However we do not believe the current situation is indicative of a larger problem with the U.S. or global economy.

As always, we value the trust you have placed in us as we remain stewards of your wealth.

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