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NG Wealth Market Commentary
2nd Quarter, 2006

For the first time since March 2003, investors experienced a correction as most of the primary stock indexes fell sharply, with the worst declines occurring for the Russell 2000 and the NASDAQ Composite. Because the peak to trough declines on the Dow Jones Industrial Average (DJIA) and Standard & Poor (S&P) 500 Index were somewhat less than 10%, we did not experience a classical definition of a correction. The stock market did recover nicely from the lows which were established in June, recovering roughly half of the declines by quarter end.

For the quarter, here is a summary of the performance for the major indices (%):

Dow Jones Industrial Average	0.90
Standard & Poor 500	-1.40
NASDAQ	-7.00
Russell 2000	-5.10

During the April thru June period, there were 5108 companies which reported quarterly earnings, primarily reflecting Q1 results. Of these reports, 3211 companies reported earnings which were above the results from the same quarter of the prior year, and 1897 companies which turned in worse earnings results. The ratio of positive reports versus negative is approximately 1.69, which is down slightly from the 4th quarter 2005 but still above the 1984 to date average of 1.59.

Despite strong performance in corporate earnings, there did appear to be a crack forming in investor confidence. The Q2 total outflow from traditional U.S. focus equity funds amounted to -$9.2 billion, the biggest quarterly outflow since the first quarter of 2003. Both domestic and foreign markets have seen confidence levels decline, causing many investors to pull cash from equity holdings and perhaps seek safer havens…

That being said, let us not forget that there is approximately $2.0+ trillion cash on U.S. corporate balance sheets. This figure has almost doubled over the past ten years when measured as a percentage of assets and we believe some uses for this cash might be: continued robust merger and acquisition activity, increased R&D boosting productivity, share buybacks, higher cash dividends, and debt reduction on the balance sheets.

INSIDE THE FIXED INCOME MARKET

Generally speaking, bond prices declined in the quarter as the Federal Reserve Chairman, Ben Bernanke, continued to raise the target fed funds rate for the seventeenth consecutive time to 5.25%. Although bonds yields increased during the quarter, NG Wealth does not believe it is near levels that should stifle economic growth. The yield curve remained flat (essentially), with yields on the 10-year and 90-day Treasury notes in-line with one another.

The fixed income market continued to fluctuate during the months of April – June on concerns about whether the Fed would "overshoot" on its policy to tightly managing the economy and continuing to increase interest rates. The uncertainty surrounding the housing market slow-down, higher energy prices, and the outlook for rates has led to increased volatility in the fixed income markets. The Federal Reserve Board continues to be "data dependent" as it relates to their direction regarding monetary policy.

If you would like additional information or have questions about our investment strategies, please contact Next Generation Wealth Management, Inc. at (262) 242-4433.
Or, if you prefer, you may visit our website at ***www.ngwealth.com.***

Thank you,

David A. Massart, CWA

Next Generation Wealth Management, Inc. is an independent state-registered investment advisor providing investment management and advisory services to a variety of clients including individuals, families, family businesses, trusts and foundations.

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