

**S&P Index
Analyst's
2009
Predictions***

UBS	+ 43.9%
Deutsche Bank	+26.2%
Goldman Sachs	+21.8%
JP Morgan	+21.8%
Credit Suisse	+16.2%
Citi	+10.7%
HSBC	+10.7%
Morgan Stanley	+7.9%
Merrill Lynch	7.9%
Barclay's	-3.2%

**Predictions
were taken
from Schwab
Institutional
January'09
Analyst Report
Liz Ann
Sonders
Chief
Investment
Strategist*

We know the past and the present, tell me about the future.

In the last three months I have had more conversations about the market with friends than I have in the last ten years combined. All of them have boiled down to trying to offer some semblance of hope for the economy. Right now there are very few people that believe a recovery of any degree is in the works. Here are some thoughts:

The Stimulus Package:

It's called quantitative easing, defined as stimulating an economy in the throes of a severe recession by dramatically reducing interest rates and adding a substantial amount of liquidity. The intended results are a sustained increase in consumer spending.

The questions are will it work and what are the costs? The maneuver does have precedent and it has worked. I believe it will work this time but it will take time to slow the decline and then create the desired effect. The more important issue here is; understanding that the US is just part of a global recession and similar programs are being implemented in various ways across the world.

When it works, what will be the downside of quantitative easing? The easiest and shortest answer is inflation. It is commonly agreed by all economists that this will be the outcome but the timing and degree is what is in debate. The fact of the matter is that we just have to cross that bridge when it's important. For now the government has stepped in and is doing what they need to do.

Investment Strategy

I have heard many portfolio managers tell their clients just to quit looking at their statements. As bad as that sounds it is just the manager saying that there are only so many ways to advise clients to just be patient. If your portfolio is well diversified, if it has investments that were chosen because of their appropriateness, if they are actively managed to take advantage of market opportunities, and if you have time to wait - getting out of the market at this point most likely will be a costly mistake.

The historical data shows that nearly all recoveries have the same characteristics – the majority of the percentage growth occurs within the first several months. Meaning that it is really not an option to use the strategy to get out and wait till it gets better and just hop in when it feels like the market is stable.

On the left is a chart of other analyst's predictions for 2009 for the S&P Index. Although no one can predict the future it is a clear indication that the people with the most experience have confidence that the current package will bear fruit.