

**2009 Market
Performance
YTD
3/27/09**

Large Cap
- 8.50%

Mid Cap
- 8.16%

Small Cap
-11.30%

Dow Jones
- 10.55%

NASDAQ
-2.02%

Russell 2000
-13.70%

S&P 500
- 9.00%

S&P Mid Cap
- 6.84%

US Govt. Bond
- 1.64%

MSCI EAFE
- 11.72%

**Market
Performance
numbers
courtesy of
Morningstar
Inc.*

What a difference a few weeks make.

For those of you who have had the pleasure (or not) of talking to me over the last three months you probably know the recent healthy upward move on the Dow has been expected. As I've said many times, the market doesn't always go up and it just can't always keep going down. The dilemma now is whether this is just a head fake or has it established a permanent base off of the lows.

Some Signs of Life – Will People Start Spending?

The **credit markets** have shown some very recognizable signs of stabilization and the government continues to use all measures at its disposal to sop up troubled assets and actively buy longer term US treasury securities. Simply put, we need a solid banking industry to make the economy run and despite personal proclivities, something drastic was needed.

If there is good news to the **housing market** it's that the bad news is diminishing and there are actual signs of life. Despite the near term relief, however, the industry still has to work its way through the massive inventory still on the books. The final piece of a sustainable recovery will be when the lenders actually establish plans for appropriate refinancing and new home acquisition through accessible mortgages.

Personal saving rates are above 5% currently. Disposable personal income less personal outlays equaled \$310.3 billion in the fourth quarter, an increase of \$179.5 billion. The increase mainly reflected a very sharp (\$244.2 billion) decrease in personal outlays, but it is my view that the continuing increase in disposable income will eventually lead to a strong upswing in consumer spending.

Active Management/Diversification is Still the Key

Regardless of the upswing in the stock market we are still in dangerous territory in regard to the economy. Despite what you're feeling in regard to recent fiscal policy, our job is to review the current economic conditions without emotion and guide you through the areas that will benefit by these policies.

What Are We Doing?

I'm sure most of you know that there are areas of the market that perform better than others in every cycle. History contains many examples of industries that have the highest recapture rates post recession, but the problem is clearly in the investor's conviction to act on that knowledge. Our job is to identify those opportunities and act on them for you, but it is still important to us you know this as well. We are currently over weighting technology, health care, natural resources, financials, emerging markets (India, China, and Brazil), international (Asia and Australia), and small cap. As always please call with any questions.