

**2009 Market  
Performance  
YTD  
6/30/09**

**S&P 500  
+3.16%**

**MSCI EAFE  
+5.64%**

**BarCap US  
Aggregate  
Bond  
+1.90%**

**BarCap  
Municipal  
Bond  
+16.2%**

**Dow Jones  
Industrial  
Average  
-2.01%**

**NASDAQ 100  
+22.94%**

*\*Market Data  
supplied by  
Morningstar*

## Is the Recession Over?

The thing about forecasters is that they can tell you lots about the past and the present, but they can only speculate about the future. I think the best way to approach the recession question is to let you see what I see and hopefully you'll come to the same conclusions. The short answer is we believe so.

## Inflation – Is it coming?

The thought that it is on its way is a sentiment that is shared by nearly all economists, but the reality is that it is still a ways off in my estimation. For planning purposes, however, sooner vs. later in regard to debt consolidation and prudent fixed income investing (stay short term) or laddering makes the most sense.

## Where's the market heading?

On March 9<sup>th</sup> we hit what I consider to be the low point for quite a while (hopefully forever) and one that will not be retested. It is quite natural that a market that rebounds by 35% from a low would have either a rest (where the market backs up a bit and trades laterally) or experiences a sharper pull back. Currently we are seeing the former with a slight pull back (-2.28% S&P 500) since the beginning of June. As such I believe the market and the people that invest in the market are gaining confidence. That confidence should allow the market to build a strong base here and allow it to continue to move higher through the end of the year.

### Reasons:

- Inflation will stay low encouraging a move to equities
- Consumer confidence has moved up consistently in the last three months
- Equity valuations are still low as they relate to inflation
- Corporate earnings expectations are starting to rise
- There is still a lot of money sitting in cash – 35% based on the most recent AAI (American Association of Individual Investors) study.

## What is our strategy?

For a money manager it really comes down to expectation versus reality. I have asked clients many times, would you be happy with an annualized return of 8% on your portfolio over the next ten years? The answer, as you can imagine, varies depending on when you ask the question.

I truly believe that when the year ends we will be higher than we are now. There will be some issues that we will have to contend with in the future. As always, we will reallocate the portfolio in your best interest to try and stay ahead of those conditions, but for now normal allocation in equities makes the most sense.