

# MONEYWATCH

## ADVISORS

Newsletter to Clients

January 2010

Happy New Year.

The past two years have been torturous economically and fairly depressing for many individual investors. The most depressed are the millions of unemployed, not to mention so many individual investors who spent much of 2009 watching but not participating in the investment markets recovery which began in March.

The economy was looking pretty grim. Unfortunately the news media love to harp on the negatives. Things could be worse but you would not know it listening to the "actors" on CNBC and the major news networks. Dwelling on the negatives does not help anyone. The bad economic news will continue to flow until unemployment recovers but the investment markets could very well continue their upward momentum. We said one year ago... *The investment markets, namely stocks and bonds, may well be moving upward long before anyone realizes the recession is over.* We also said... *The recent bounce in stock prices we have experienced is probably not the beginning of the next bull market.* Well, that might have been totally wrong.

Many investment strategists were looking fondly at bond investments rather than common stocks because bonds were worse victims of the September 2008 - March 2009 crash in values. The bankruptcy of Lehman Brothers so unsettled the fixed income markets, that our financial system suffered a seizure much like an epileptic fit, a massive heart attack or a near fatal stroke. The financial system has recovered substantially and now seems to be on sound footing. Equity and fixed income markets have experienced a marvelous recovery this year. We expect this recovery to continue in 2010.

The economy will not return to the hyper growth rates of the past two decades for lots of reasons, but the important factor is growth, not retraction. We now have a mature baby boom generation concentrating on improving its financial standing. Borrowing to enhance investment returns may become the norm rather than using credit for the vacation. Accumulation of retirement assets is of paramount importance to this generation. This need will enhance investment returns in the future.

Ramsey, Bill and I travel to Orlando, Florida for the annual TD Ameritrade Institutional Investor Conference on Wednesday, February 3 and return on Saturday, February 6. Contact Sharon Moberly in the Lexington office or ring our cell phone if you need us. I plan to return to Lexington on Monday, January 25 for one week.

Thank you for your continuing confidence and support.