

# MONEYWATCH

## ADVISORS

Newsletter to Clients

November 4, 2010

The recession is over, officially at least, but high unemployment remains a drag on retail sales. Unemployment is not the only problem. Home prices have fallen, causing the average American to feel poorer. The next problem is the inclination to reduce debt, credit card debt, installment debt, mortgage debt, you name it.

Companies report improved earnings notwithstanding weak sales. The economic slowdown causes management to learn how to operate the business with fewer people. Productivity is up. Everyone who is lucky enough to have a job must work harder to keep that job. Slackers beware!

The Federal Reserve Board Chairman spoke yesterday and the most often quoted statement from his speech is 'Low interest rates won't fuel inflation.' This may be so. He's smarter than I am. But, the reaction was a large (\$41) jump in the price of gold (the ultimate inflation hedge) and a significant decline in the value of our dollar (inflationary). Oil has moved up past \$86 and you know what you pay for gasoline.

The election results were anticipated by the stock market and that is, in my opinion, why we saw no huge jump post election day. Now today, we see a fair rise in common stocks but as you know common stocks are one of the best hedges against inflation. Don't believe we won't have inflation. That is not what Chairman Bernanke said. He wanted to assure us that interest rates will remain low and had to add his inflation comment which is really only tongue in cheek. He knows better but he is a politician like everyone else in D.C.

By and large, I am pretty positive about everything all of us own. BlackRock Floating Rate Income Trust (BGT \$14.70) with a current distribution of 7 ¼ cents per share has a yield of 5.9%. Eventually, and I wish I could tell you when, short term interest rates will rise. When short term interest rates rise we should see increases in the monthly distribution rate from this fund. Now that the economy is improving, even if it is at a slower than normal pace, we should expect a greater willingness on the part of would be investors to dip their toes in the bank loan participation funds, like BlackRock Floating Rate Income Trust.

I believe we will see the stock market experience a satisfying year-end rally. Now that we have a more balanced Congress, we can expect a more even handed business regulation atmosphere rather than what many consider, an oppressive regulatory atmosphere.

That's it from me...Thanks for your continuing confidence and the recent increase in referrals.