

Fiscal Quarterly: 2 Q 2009

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The second quarter of 2009 saw a big rebound in major indexes. US domestic equities bolted up 15.93%, and are now positive 3.16% for the year. Bonds continued upward this quarter by 5.66%; 8.08% year to date. Both results show how pessimistic the market had become. International markets have moved up 25.84%; a very healthy return producing a yearly number of 8.41%. These positive swings are welcomed, but there is still a long road ahead.

We're in a strange period right now. The Federal Reserve has been very aggressive in monetary policy, helping prevent a depression. As we continue to fight disinflation/deflation we must be mindful of a violent swing toward inflation. Owning equities broadly helps ease the purchasing power reduction of inflation but it is not advisable to purchase equities in a disinflation/deflation period. Keeping short in fixed income and cash careful will let us be agile enough to make our timing transition effective. We will watch the markets and the Fed reactions closely.

Please do continue your calls; it's important to keep our communication lines open.