

Market Update

By Drew Tignanelli, CPA, CFP®

It is our belief that the markets may rally for a period of time. Clearly we are not going to enter a new bull market in the USA for sometime, so do not expect us to buy on the dips for now. We may actually sell on the up-moves. Secular bear markets end only after years of exhaustion from fear and everyone swears off owning stocks ever again. Many of you may currently be at that point. Yet when stocks are bought at historic valuations in these kinds of markets, it can come with tremendous long term benefits.

So how do you keep from being exhausted in these markets? First and foremost do not watch the daily price movements. If a group of people came and bid on your personal residence everyday, it too would send you into a panic over your home ownership. How many of you want to completely abandon home ownership? Second, you need to know we have a strategy in place that *we believe* will succeed in the long run. Our strategy is quite simple:

- A. Invest with great long term mutual fund managers who have been investing in the markets for 30 plus years and have proven to be great value managers.
- B. Asia is the opportunity of the 21st century and will be in a bull market for the next decade. Technology and commodities will also ride again in a bull market.
- C. Use no borrowed money to invest, for debt increases the good, but amplifies the negative.
- D. Keep lots of Treasury Bills and Government bonds available for investment and your short term cash needs. Currently we have on average 50% cash and bonds.

Though I am optimistic of the long term opportunity, I do not want to try to make light of the enormity of the current risk in the economy. Fiat currency (pure paper money) economies are built solely on psychology and if confidence is utterly broken, the system can crumble. This is why the Government is pulling all the stops out to restore confidence. When people compare this market downturn to 1987 or 2000-2002 they are dead wrong, because this is a very dangerous time. This is not a 'pie in the sky' or 'hold on for the long term market', but one that needs to be carefully monitored and strategically considered. This is why my 8 person investment team has been instructed to be here for a 7:30 am investment meeting every morning until we feel the situation has returned to a more stable environment.

I want to apologize to those of you who are worried over your finances for our objective is "to help lessen the worry and burden". I pray that by the grace of God we may achieve this goal in 2008.