

Investment Outlook

Accentuate the Positive

With so much bad news going around, I thought you might welcome some good news. Here is my blatant attempt to lift your spirits.

As of today, April 21, the S&P 500 has risen 26% since March 9.

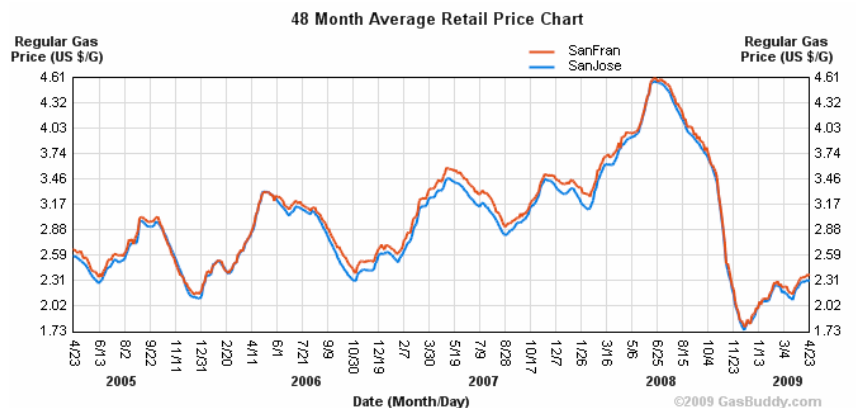
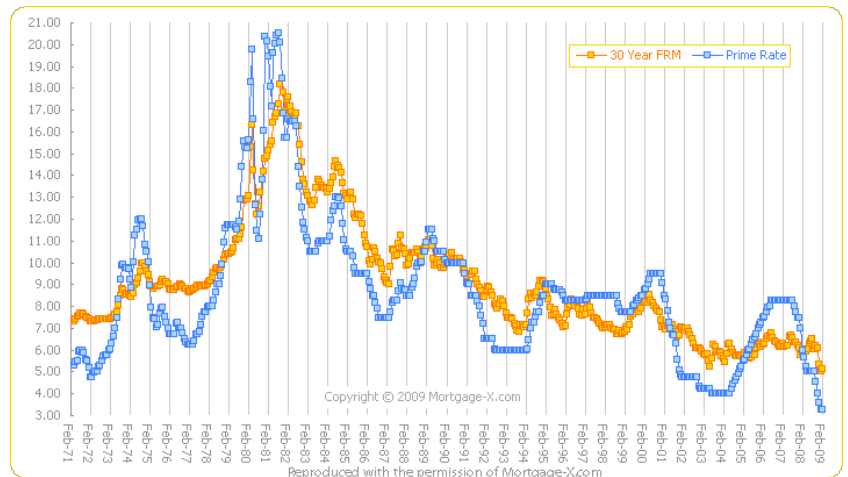
Interest rates are at historic lows, with the average conforming 30 year fixed mortgage at 5.09%.

Energy and most commodity prices are at a fraction of last year's highs.

Workers are enjoying an average \$65 monthly increase in take home pay thanks to withholding tax cuts.

The latest monthly index of home prices from the Federal Housing Finance Agency reported a 1.7% increase in home prices nationwide. Housing prices started falling in Summer 2006, that's almost three years ago. How much longer can it take to find a bottom? The number of existing home sales increased 5.1% in February.

Wells Fargo preannounced record Q1 earnings, blowing away analyst estimates. The abandonment of the "mark-to-market" requirement, while derided by some as a gimmick, makes sense to me. Mark to market only works when there is an active market.



Absent this, the income or the underlying asset value may provide a more reasonable basis for valuation.

The April Federal Reserve Beige Book survey of economic activity stated “five of twelve districts noted a moderation in the pace of decline” of economic activity. Boston, Cleveland and Chicago districts reported increases in consumer sales.

The Chinese economy grew at a 6.1% annual rate in the first quarter of 2009. India is forecasting 5.7% growth in 2009. Southeast Asia is transitioning from export economies to consumer economies, to the betterment of the global financial system.

Long term drivers of economic growth remain in place. They are: technological progress, increasing trade, growth oriented government policies in emerging markets, and huge unmet demand from consumers in emerging markets. Indeed, this bust is setting up the next boom, as the entire world defers expenditures.

The real estate bubble was limited to the U.S., Great Britain, Spain, Australia, Dubai and Singapore. The rest of the world is suffering secondary effects, but doesn't have the big real estate mess.

The U.S. is finally doing something about energy independence, and at least considering fixing our health care system. Things finally got bad enough for people to want change.

And if that's not enough good news for you, don't forget Captain Sullenberger landed that jet in the Hudson, Captain Phillips was rescued from those nasty pirates, and the White House kids have a new puppy!

I hope you enjoyed these rays of Springtime sunshine, as next issue I will go back to being my critical and skeptical self.



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