

# CITY SECURITIES WEALTH ADVISORS

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February 24, 2009

Greetings from Washington, D.C.! I will be heading back to Indiana shortly to meet with clients the second half of this week, but want to touch base with you briefly about the interesting events in the equity markets on Friday and Monday.

A few weeks ago, I wrote you that it would be very unusual for the market not to revisit the low that was reached in November. On Friday, Monday, and again this morning, the market did in fact revisit November's level, with the S&P 500 index hovering within a few points of 750. The media is largely focusing on the Dow Jones Industrial Average (representing only 30 companies), which has dropped well below the November low and makes for sensational news reports. The S&P 500 is regarded as a much better representation of the U.S. stock market – we'll explain this in a future letter. As the market continues to move up or down from this level in the coming days, we will know if the November low is going to hold or if a lower bottom is in store for the equity markets. We are watching this very closely and are holding increasing levels of cash and fixed income assets to help protect portfolios if the market does decline further, while being careful to ensure portfolios still participate if the market suddenly increases.

On Friday, I was driving across Virginia, observing the market approach within a few points of the November low, and periodically touching base with my staff by phone to coordinate portfolio strategies. By late afternoon, the market suddenly reversed trend and closed higher as a result of a well-timed comment made by White House press secretary Robert Gibbs about the administration's commitment to a private banking industry. (Incidentally, the FDIC has been temporarily nationalizing and then re-privatizing troubled banks since its creation, so the market and media focus on bank nationalization is largely misguided.) While I appreciate Washington's desire to support Wall Street, market manipulation only increases uncertainty and will impede the market's natural process of returning prices to reasonable levels. Gibbs' comment resulted in the market not reaching the November low on Friday, which only delayed the process until yesterday. This type of intervention makes navigating the economy and markets more difficult, but not impossible; and certainly makes it very interesting!

Whether I am in Indianapolis, rural Indiana, Washington, D.C. or Northern Virginia, I am intrigued by how normal life still looks despite the gloom reported in the media. I don't see as many of the excesses of the last decade, but people are still going about their lives – working, driving, eating, shopping, and playing in parks. Without question, more people than ever are hurting and in need, but communities are responding with generosity. This is good.

A number of names have been added to the mailing list for this letter in the past week. If there are others that you think would benefit from receiving it, feel free to let me know. Also, if you have missed any of the previous letters sent over the past few months, we have now posted all of the letters to our website at <http://www.citysecurities.com/WealthAdvisors/WA/WANewsletters.aspx>.

Enjoy the day!



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