

CITY SECURITIES WEALTH ADVISORS

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November 24, 2008

Happy Thanksgiving! Before spending some time with my extended family later this week, I want to touch base with you again amid all the economic, political, and market news.

As I am writing this, the market is moving up strongly (it is up over 10% in just a day and a half) for the second day in a row after the S&P 500 reached a low on Thursday that was last seen in April of 1997. The price changes in the market on any given day have been dramatic, and seldom driven by the fundamentals that we have relied on for decades. Now, it seems that government bailouts and political appointments drive market prices more than economic realities such as earnings, profits, and growth, or lack thereof.

This high level of volatility and uncertainty has resulted in plenty of work to do in my office. We are working diligently to preserve client assets and position our investment portfolios for future growth. When various markets rally, we are making small but strategic shifts to cash and other asset classes, followed by the reinvestment and reallocation of these assets when the markets subsequently fall again. These strategies add incremental returns to any portfolio, but none more than the fundamentally conservative approach we have taken in portfolio design and management for over a decade.

As usual, the economists and market analysts I read regularly are all over the map in their predictions. Some are calling for a significant market rally as early as January (I'm rooting for them!), while others see continuing declines amid a growing economic recession. The individuals I most respect are calling for an extended economic recession of twelve months or so, but believe that the market has already priced itself for this reality and will continue on a sideways path for some time with dramatic increases and declines along the way. The active rebalancing and cash adjustments we are currently utilizing are specifically designed to take advantage of this environment.

I do not turn a deaf ear to those who promote a view that the current crisis will escalate, and listen very closely to their arguments and supporting data. My number one priority is the preservation and growth of client wealth, which means walking a fine line between curtailing further losses and keeping portfolios properly positioned to recover from the declines of the past year. I, my staff, and the outside managers we employ are using every resource available to us to keep our eyes on this objective as we navigate through a foggy recession.

Have a wonderful Thanksgiving!



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