

The Second Decade Begins

4th Quarter Report 2010

It seems like only yesterday that the buzz was all about the Y2K computer problem that would shut down all old computer systems on Jan 1, 2000 because the old software only had two spaces for a date: 99, not 1999. Many systems were expected to fail because they would think that the New Year would be 1900 instead of 2000. Here we are, eleven years later and Y2K was just a scare. Now we stand at the start of the second decade of the 21st century.

What a ride it has been! We left the 1990's with a bull market and a record surplus. A lot has happened since then: the technology stock bubble burst, 9/11, two endless wars and the biggest recession and market meltdown since the Great Depression. Along with these problems, we saw a near meltdown of major banks, government takeovers of GM, Chrysler and AIG and the biggest budget deficits that this country has ever known. Many pundits have called the past decade the lost decade since many of the major market indices were negative for the period. It was a bad time to be an equity investor, and a worse time to be a new retiree.

Since the meltdown of 2008 through March of 2009, the market has been recovering, helped by major government stimulus programs. We have heard of Tarp I, Tarp II, QE1, QE2, (not a cruise ship). These programs seem to have helped, as the economy is crawling back from the abyss, and the markets have been on a strong run since the 2009 lows. It appears that the US Government could possibly even make a profit from the corporate bailouts.

There are signs of a recovery, company profits are up and so is the stock market. However, the problems in real estate and anemic employment numbers remind us that we are still not completely out of the woods. As investors who are seeking to earn a respectable rate of return, we are saddled with extremely low interest rates and a market that still has many investors afraid of losses. I am optimistic. Corporations are largely beating their earnings estimates and I see more on the upside than downside as we look forward.

As always, we will continue to examine ways we can continue to accumulate positive returns while we seek to minimize risk.

Good luck in the new decade!

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