

Market Notes April 7th

Material discussed is meant for general illustration and/or informational purposes only and it is not to be construed as tax, legal, or investment advice. Although the information has been gathered from sources believed to be reliable, please note that individual situations can vary therefore, the information should be relied upon when coordinated with individual professional advice. Not all portfolios are actively managed. If you have a question about how your account is being managed please contact us. Generally accounts less than \$150,000 are not actively managed.

The corporate earnings season got underway today with Alcoa reporting losses greater than what analysts estimated. Lowe *fs* has been looking to corporate earnings as one indicator of the overall ability of the market to sustain the recent rally or create downward pressure and a pull back from recent advances.

Dismal unemployment numbers released on Thursday and Friday of last week caused some anxiety but did not lead to a selloff.

Poor corporate earnings may prove too much and the market could easily decline from some of the recent gains in the coming days and weeks. However, absent an extreme event Lowe *fs* still maintains that it is *likely* we have seen the market low and that retesting those lows are unlikely. Let's be realistic however. Clearly the Dow (see index disclaimer) could shed gains and drop back to 7,500 or even 7,000 depending upon just how bad the corporate earnings are. Further, if the past year has taught us anything it is that unexpected events should be expected.

Even if the earnings are dismal it is possible that the markets could overlook the numbers to a degree. Why? Because everyone already knows that the first quarter corporate earnings will be horrible.

What then could move the markets? Analysts estimates of future earnings for the remainder of 2009. Investors want to know what earnings are likely to be for the next three quarters of 2009.

If the earnings estimates show a level of stability or possible improvement, investors *could* latch on to this as a reason to put cash to work and rally the markets yet again. If the estimates of future earnings show growing weakness and further earnings declines we could see the previously mentioned declines.

While we have concluded that the U.S. is likely in the worst of the recession, the pain will linger for quite some time. Investors will take any glimmer of hope they can latch onto and this could cause periodic rallies in the markets. However, investors need to be realistic and recognize that any such rallies will be punctuated with periods of market volatility.

Whenever the market recovery comes it will take patience and a degree of fortitude. We will most certainly continue to get bad economic news, unemployment will increase and the housing market may take some time to thaw. This will likely create a market with

ebbs and flows. At the end of the day it is our belief that investors who are patient stand to reap potential rewards.

Lowe *fs* continues to consult with our Capital Markets Analyst, Morris Segall several times a week. We are monitoring the situation and do anticipate periodic rebalancing of our actively managed portfolios (see disclaimer) during periods of market declines to prepare for potential recovery opportunities.

However, let us be clear, our focus on potential preservation remains and we continue to have elevated positions in cash, fixed income and stand ready to add inverse positions where appropriate, if any downturn becomes troublesome.

At this time we would welcome a pull back as a further rebalancing opportunity for actively managed accounts and believe that if we get any such decline that it would be short lived. If we experience strong gains we may act quickly to lock in or “harvest” them more frequently than normal.

Ultimately, whenever a sustainable recovery comes, we anticipate large U.S based companies and commodities to lead the way. Europe and Asia could follow 6 to 12 months later. Looking out several years we do see significant challenges to the U.S. economy. Inflation is our number one concern. As such, we would not be surprised if certain foreign economies ultimately grow at greater pace and for longer periods of time than the U.S.

Even in the midst of a strong recovery success will require nimble, proactive and “out of the box” strategies. As always, Lowe *fs* will continue to work on your behalf and we will keep you informed of our views and strategies.

Important Disclosures

- Not all portfolios are actively managed. If you have a question about how your account is being managed please contact us.
- No diversification can completely protect against market risk or other risk factors with investing. A diversified portfolio could still lose money.
- An Index is a portfolio of specific securities (common examples are S&P, DJIA, NASDAQ), the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. Past performance is not indicative of future results.

Foreign investing carries additional risk such as currency risk, political risk and different accounting standards.

Lowe *fs* is a registered investment advisor.