

Market Notes July 15, 2009

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Intel: Indicator of Corporate Earnings Recovery?

As we review the earnings report from Intel we believe the report is a clear indicator that corporate earnings will rise faster and recover more quickly than the overall economy. The Intel earnings report is a significant indicator that companies in certain sectors will show earnings growth exceeding analyst estimates.

However, it is important to recognize that the backdrop of the overall economy has not changed in the last 24 hours. In fact, we believe that we have more pain in the form of lower corporate earnings to come.

On July 6, 2009 we spoke of Lowe fs' expectation of a market retrenchment in the range of 5% to 10%. We still believe near term vulnerability remains. It is our expectation that the Intel earnings report will be a shot in the arm of the market. A dose of reality could quickly set in and any stock market rally could lose steam.

The Intel report may have simply deferred a stock market correction but this is impossible to predict with certainty. Although one cannot extrapolate Intel across the board, it could be an indicator of what will be unfolding in the 3rd and 4th quarters of 2009.

The most significant aspect of today's news for us is the indication of anticipated future earnings growth by Intel. While we remain cautious about the current environment, our future optimism about corporate earnings is growing. Corporate earnings will likely recover faster than the economy.

Earnings which are positive and exceeding analyst estimates would be seen as a healthy indicator for the market to mount a sustainable recovery.

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.