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.

Buyer Beware:

Is it time to rein in pre-mature euphoria and be wary of the over-exuberant stock market? This seems to be the question of the day.

Given the backdrop of our current economic news, the market should experience a pull back from the recent gains. Yet, the "news du jour" is moving the market; it seems to be responding only to positive news and ignoring negative news.

Lowe *fs* is concerned that the longer the markets continue to rise virtually unchecked (without the seeds of an economic recovery germinating), investors are setting themselves up for a disappointment in the coming months or quarters.

Since early March the rise in the markets has been led by stocks that are considered to be higher in risk and lower in quality. This is typical action in the early stages of a market recovery because people are looking for leveraged rebounds, says Morris Segall of SPG Trend Advisors. While this action may be typical historically, it is probably not sustainable without other solid supporting economic data.

"But wait," you say. "The recently released consumer sentiment numbers show a great improvement."

This is true, but are the numbers really reflecting a trend showing that consumers are making plans to spend and purchase products? Or are the improving consumer sentiment numbers reflective of people feeling good because the market is going up?

Lowe *fs* believes it is the latter and that consumers are feeling good but not actually ready to begin increasing purchases. As a result, it is our opinion that one should not put much weight on these numbers as an indicator of economic recovery. In this case, the consumer confidence survey does not correlate with consumer spending intentions.

On several occasions we have raised the issue about the sustainability of the current market recovery. In our opinion, the "news du jour" needs to be confirmed by improved and sustained underlying reductions in unemployment, a bottoming in residential housing, and a peaking in bank loan losses.

Mr. Segall notes that until we see these three conditions, we cannot be confident about the near-term sustainability of the market recovery. It is Lowe *fs*' view that the second and third quarters of 2009 will be marginally better than the first quarter but not an end to the recession.

Mr. Segall concludes that while we could see some economic improvement in the fourth quarter of 2009 it is far more likely that we will have to wait until 2010 for the start of a gradual recovery.

Lowe *fs* Strategy:

We have talked often of late about a gradual shift in our approach from a very short term focus to a one- to three-year strategic focus. This means that the strategies we are implementing today are for a slightly longer period of time and that potential success of these strategies may not be measurable or evident for one to three years.

More specifically, the short term movements of the market are becoming increasingly unpredictable. The one- to three-year outlook will provide data that is more appropriate for making conclusions and developing strategic initiatives.

In many of our actively managed discretionary accounts we continue to have some level of elevated cash positions. If we do see a pull back, Lowe *fs* plans to allocate remaining extra cash as appropriate.

We remain bearish on bonds in the near term and will utilize the cash sector in lieu of bonds in many allocations for the present time. This is a short term scenario in our opinion, and as interest rates rise we plan to allocate funds back into bonds in the future. Note: some allocations will retain a level of bond exposure.

Other Areas to Watch:

- Oil has recently had a strong run up. In the short term, prices could be due for a pull back.
- Geopolitical unrest. North Korea, Lebanon and Pakistan are all potential geopolitical hot spots. Our next commentary will discuss some of the features of the rising risks around the world.