Market Notes September 11, 2009

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This is a good time to bring you up-to-date on Lowe*fs*' current thoughts regarding the status of markets and the economy. In our most recent analysis, economist Anirban Basu, Capital Markets analyst Morris Segall, and the financial planners at Lowe *fs* all conclude that we are likely heading toward a "W-shaped" economic recovery. (The W-shape connotes an economy in which there is the risk of another considerable dip in economic activity just after a very brief phase of recovery.)

This scenario is likely to occur because government programs are providing artificial stimulus in the economy. Earlier there was hope that consumers would step in knowing that the government programs would be ending and that consumer spending would foster economic growth through their consumption. Now, however, there is concern that the stimulus programs will end BEFORE consumers begin to spend.

In our opinion the market is potentially over extended. As a result, we are carefully watching the increase in insider selling. Selling of shares by corporate insiders is usually ominous for near-term market declines.

However, we believe the underlying stock market trend may be up for the remainder of 2009, along with some shallow, near-term pullbacks. This would be consistent with the market experience since March according to Morris Segall of SPG Trend Advisors.

The stock market is feeding on itself and drawing on the voluminous available liquidity, thanks to the Feds. The continued market gains are actually strengthening the short-term and intermediate-term technical market indicators creating "up swings." The number of new 52-week highs on the NYSE is now expanding to over 150 as of last night.
For the time being, we will continue our fine tuning of our actively managed portfolios. We will ride with the potential upward momentum knowing that there will be selloffs within the up trend.

Once the current federal subsidy programs expire, if our concern about a "W" economic pattern has a down leg hitting in the first quarter of 2010, we would expect a more severe and protracted correction in the markets (in early 2010).

Because distortions occurred in response to the demand patterns engendered by the Federal programs, we will carefully watch the economic data coming out of the fourth quarter of 2009 -- and more importantly, the first quarter of 2010. While we believe there

will be encouraging economic numbers in Q3 and Q4, any relapse could be harmful to the markets. Lowe *fs* will most certainly revisit hedging strategies if the market moves to 10,000 on the Dow (see Index disclaimer) and/or in the fourth quarter.

In many allocations we remain overfunded in cash. While cash is not a flashy or exciting component of a portfolio, it does potentially provide stability. Lowe *fs* is concerned about bonds; we believe that a change may occur and that certain bonds could have risks greater than equities. Inflation and rising interest rates remain the primary risks to the fixed income/bond sector for the near term. Once these risks peak we would then consider longer term fixed income holdings and a potential reduction of cash positions.

Breakfast Meeting Update:

Morris Segall and Anirban Basu will be our keynote speakers at our November 7, 2009, breakfast meeting. This meeting is by invitation only. If you would like more information about the meeting, please click here.

Lowe *fs* Team Update:

Greg and his wife, Jan, will be traveling to Texas next week to finalize the adoption of their son. This will certainly be an exciting time for Greg and his family.

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.