

DEFENSE IS THE NAME OF THE GAME

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The recent announcement that the Federal Reserve will add an additional \$1 trillion to their balance should be a signal to one and all that our economy is in desperate shape. It seems to us that Americans of all stripes know that *something* is wrong and are developing a bunker mentality. Please note the following:

1. It is now not only acceptable but fashionable to be frugal. For example, used car prices are moving up as new car prices continue to decline.
2. Using coupons and waiting for goods to go on sale has become a parlor game.
3. There have been reported instances of people hoarding food.
4. There has been and continues to be a massive explosion in sales of guns and ammunition.
5. There are reports of large withdrawals of cash from checking accounts throughout the country.
6. American businesses are laying off and reducing the wages of their employees. Meanwhile, President Obama is pursuing Herbert Hoover's idea of propping up wage rates through favoritism in the use of labor unions. Hoover was dead wrong then, and Obama is dead wrong now. The manipulation of the free marketplace always has been and always will be a detriment to economic growth.

We're sure you have probably seen evidence of other manifestations of the "heading to the hills" mentality. Have you noticed what is taking place in Washington D.C.? It's a circus. Do you really believe that a committee of 535 people along with a bumbling bureaucracy of clerks can run America's business? Yes, we know that Wall Street is a huge failure. However, Wall Street and Washington have been in bed for years, exchanging personalities and creating loopholes. A toxic potion has been created over the years and now the piper is being paid. It is not a pretty picture.

What should one do with their investments? Remember this please-what the Feds are doing is applying the same medicine that created the problem in the first place-borrow and spend, tax some more, then borrow and spend again. It won't work. One must be extremely cautious and conservative. We have a long way to go before light will be seen at the end of the tunnel. Most markets remain overvalued. In our opinion, the current rally in stocks will represent another opportunity to raise cash. It's way too early to buy less than investment quality bonds. Defense is the name of the game.