January 22, 2008

A warm hello for 2008!

Looking back on things for the last 12 months would make you want to say hmmm! What happened since the year 2007 started? The overview of data in January 2007 made it look like business as usual. The numbers tell us as of this writing that not much progress was made:

S&P 500	1409.13	January 9, 2008	close of day
S&P 500	1412.11	January 9, 2007	close of day
Change	-2.98	.002 down	

Dow Jones Industrial	12,735.31	January 9, 2008
Dow Jones Industrial	12,416.60	January 9, 2007
Change	318.71	+2.5% up

You might ask, what is wrong with my thinking and why didn't I use year-end numbers? Well, year-end numbers are not always allowed to play out to give you a true picture. Sometimes economically there is a window dressing to give a different appearance. If a recession or a chance of one is on the horizon, numbers could somehow be tweaked to give a different perspective. A recession is defined by 2 negative quarters of GDP (Gross Domestic Product.) Even after all the data is collected and sorted through, it shows either we were or were not in a recession. This information is close enough to tell me that we are in a recession and the economy says it is not investing as usual.

I have enclosed an S&P 500 chart (#1) and you will see that 2006 had some consistent trends while 2007 had more volatility. The year 2007 was like the Michigan winter temperature swings. Short spurts of days or weeks of warmer weather to melt things and then it is below freezing again. Most people like a trend and not sharp changes. This would mean a more consistent weather pattern or a more constant investment environment. As my parents use to say "You don't always get what you want."

Another piece of data in the news world has looked into 2008 and already decided what twist will be presented to you the public. Looking at the enclosed chart #2 that has been presented more than 10 times that I have seen or maybe some of you have seen on the internet. The Dow Jones chart states that the 8th year has given an 18.50% average return since 1881. I want to emphasize *"on average."* This is like looking in the rearview mirror for too much direction.
If I look at the chart again and said with that long of a history, 2005 should have been a banner year for the Dow Jones, but facts tell me that it was less than a 1% return.
From my research and the information I purchase throughout the month is that the current investment environment plays a much larger role than what Wall Street would lead you to believe.

Chart #3 has to do with election year data. This is not about who will be the next president, but rather the business and market environment concerning the Dow Jones industrial average. First of all, I do not push one party or the other regarding this because they are all doing what they can to get elected in the Fall and each is doing something to stimulate the economy. They control the government purse strings. What the chart is basically telling us is in the box. Again, this is rearview mirror information. I think we are having more global influence than in past history so again, is this a tainted picture for use to predict this 2008 election year returns. A very important fact is that it gives information but does not clarify that we are technically at war and that this, plus the global influence is not reflected in the history of this chart. Things can change in a short time span so don't put too much weight on this chart, but use it as information.

Another point of reference is the year 2008. The first investment day started out on a loss. Traditional funds are being criticized and the market is discussing sectors or other areas such as oil & gas, food, and precious metals. Not the type of discussion topics people are use to. It's like hurricanes being discussed when you move south out of the northern states. I think the banking industry also is giving the economy the shakes with such low prices in bank stocks and the lowering of dividends that have been paid for years. Banks need to be in good shape for the economy to be growing. This will change, but it will take time.

There is a new change coming and I am letting you know that most portfolios will change. I started out the Fall with some pretty general investment themes. So far the continuous input from my outside sources (third party organizations that I purchase for research) have suggested quicker changes. This does not work well with your account because either the 90 day trading rule or the internal fund rules for holding of a fund prevent moving money without transaction costs. I have researched what needs to be done with Schwab and Fidelity to bring this about so I can feel more comfortable in managing your account is this new investment environment. Bringing the investment timeline down from 90 days to 30 to 60 days is important. This is not going to be done on all of your accounts, plus this can't be done on each employer account. I will be building these accounts around the <u>*no transaction fee*</u> and providing the fund companies do not add additional restrictions after changes get made and funds are invested. My first step is to sort through a much more limited investment selection.

I do appreciate all the confidence you have shown and I will be working diligently and looking to turn things in the right direction. I do welcome any questions you might have at this time.

Sincerely,

Edward A. Beiser, LIC, CLU, ChFC

EAB/tab

Chart #1

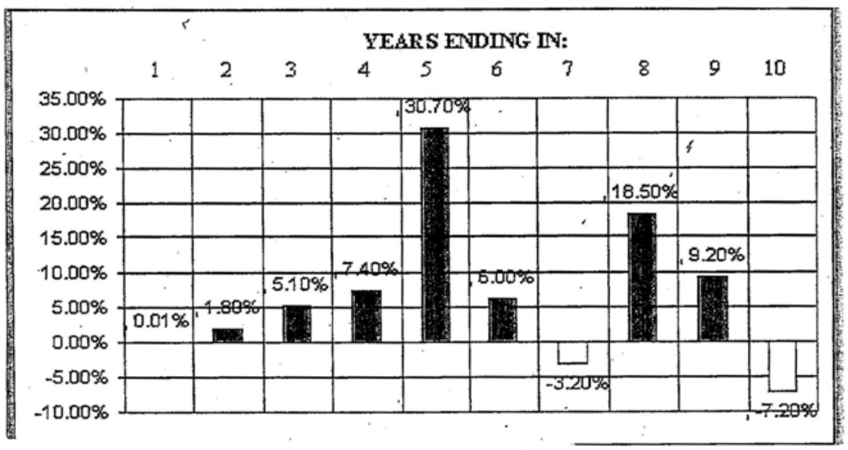

Chart #2
Average PCT
Change
1881-2007
Dow Jones
Industrials

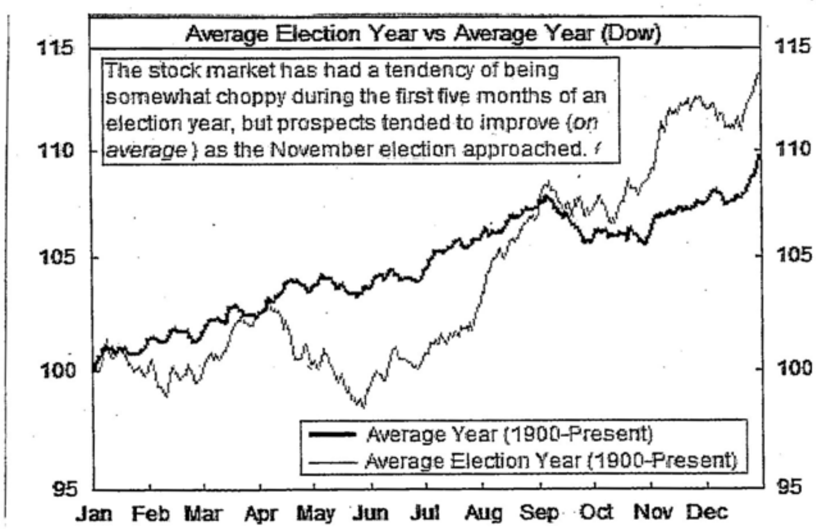

Chart #3