

DOUGLASBRADLEY LLC

Personal Financial Advisors

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DOUGLASBRADLEY'S MONEYWISE

Financial News and Insight from an Independent Advisor

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Personal Notes

All Work and No Play...

From Doug Robinson -

The kids headed back to school at the end of August - so there's the readjusting routines and sleep schedules. Our oldest entered middle school and the youngest started kindergarten, so there are new experiences. Last weekend I took my 9 yr old son down to Old Rag Mountain in Shenandoah National Park (VA) for a hike, which he loved. At the start of the hike, he asked me what the word "panoramic" means. From his face I could tell my definition didn't mean much, but when we reached the peak he got it.

Goldman Sachs in Talks to Acquire Treasury Department

Sister Entities to Share Employees, Money

In what some on Wall Street are calling the biggest blockbuster deal in the history of the financial sector, Goldman Sachs confirmed today that it was in talks to acquire the U.S. Department of the Treasury.

According to Goldman spokesperson Jonathan Hestron, the merger between Goldman and the Treasury Department is "a good fit" because "they're in the business of printing money and so are we."

The Goldman spokesman said that the merger would create efficiencies for both entities: "We already have so many employees and so much money flowing back and forth, this would just streamline things."

Mr. Hestron said the only challenge facing Goldman in completing the merger "is trying to figure out which parts of the Treasury Dept. we don't already own."

(The above article is obviously fiction and from humorist Andy Borowitz's July 16th, 2009 column. But there is often truth in jest. We've previously written (as have others) about the considerable power and influence Goldman Sachs wields. Check out his site at www.borowitzreport.com)

Fed survey shows US recession may be over

Federal Reserve survey shows worst recession since 1930s may be over

By Jeannine Aversa, AP Economics Writer
On Wednesday September 9, 2009, 4:30 pm EDT

WASHINGTON (AP) -- Economic activity is stabilizing or improving in the vast majority of the country, according to a new government survey, adding to evidence that the worst recession since the 1930s is over. The Federal Reserve's snapshot of economic conditions backs predictions by Fed Chairman Ben Bernanke and most other analysts that the economy has started to grow again in the current quarter.

In the survey released Wednesday, all but one of the Fed's 12 regions indicated that economic activity was "stable," showed "signs of stabilization" or had "firmed." The one exception was the St. Louis region, which continued to report that the pace of decline in economic activity appeared to be "moderating."

Looking ahead, businesses in most Fed regions said they were "cautiously

From Brad Loper - A piece of advice for those of you who are nursing along old water heaters: consider changing them out before you experience a pool in your basement. My water heater gave up after 19 years of valiant service (a good run actually) while hosting house guests. For those who haven't experienced a cold shower recently, both myself and my guests found we weren't enamored with them. Despite this, I did take the time to identify and purchase a good quality heater. Although tempted to complete the installation myself, I decided better of it and had a plumber drop by.

From Mahesh Desai - Soccer season has begun. This is my fourth year coaching my daughter's soccer team. This year we move up to the big field, to 7 on 7 from 4 on 4 and to real goals and a goalie from two posts and "an empty net"!

positive" about the economic outlook.

As we were discussing what to write in this month's MoneyWise, we read the above headline and article. Our first thought was: when did the Great Depression become a recession?" But then we started scratching our heads. More than anything we would consider the above article a nice piece of fiction. What else could it be when these are the economic realities:

- Last October (at the start of the collapse), the unemployment rate was 6.6%; today it is 9.4%
- Last October, the gross domestic (GDP) was \$13.15 trillion; today it is \$12.90 trillion
- Last October, housing starts were at a rate of 763,000 units per year; today, even with some recovery, they are at a rate of 581,000 per year (24% smaller)
- Last October, the dividend yield on the S&P 500 was 2.9%; today it is 2.3% (higher is better)
- Last October, the Price/Earnings ratio (P/E ratio) on the S&P 500 was 19.6; today it is 25.2 (lower is better)
- Last October, industrial production index was 106.2; today it is 10% smaller, at 96.0
- Last October, US industry used 75.4% of their available capacity; it uses only 68.5% today
- Last October, commercial construction was \$729 billion; it is \$712 billion today
- Last October, the Federal deficit was running at a 12-month run rate of \$550 billion; today it is \$1.3 trillion

What we've heard from many people we've spoken to recently is the question "How can the market be up when the above economic reality still exists?" There's an obvious disconnect there. As the Father of Value Investing, Benjamin Graham, shrewdly observed: "In the short term, the stock market behaves as a voting machine, but in the long term it acts as a weighing machine." In other words, the stock market can behave irrationally in the short term, but eventually the weight of the fundamentals take control. The operative word there is "eventually". The stock market can seemingly exist in a fantasy world for months and even years. And even though Mr. Borowitz's humorous article is fiction, the reality is that the government and Goldman Sachs can and do manipulate the securities markets to their own ends. Again - in the short term. In the long term securities markets will overcome the manipulation.

So, on the one hand you have economic fundamentals that would suggest you shouldn't invest in the stock market. On the other hand, the market is up 50% off the bottom and those returns are very alluring. But how can the average investor have any hope of success when you're up against the likes of the government and Goldman Sachs?

In our opinion, the answer is surprisingly simple. Think of investing as a dance. If you wish to be successful you must dance with the Market. Some people believe they can "lead" the Market on the dance floor by focusing on

analysis and research - and for a short time some can. Others think they can control the Market's dance by tipping the band leader to play their song - until the Market tires of the tune. But really all you have to understand and appreciate is that the Market always leads and you follow - regardless of the tune being played. If you fight it you end up with sore toes.

The job of any financial advisor is to dance with the Market to benefit their clients. Fortunately for DouglasBradley's clients, we know how to "cut a rug" on the dance floor.

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"Due to a change in its orbit, the giant asteroid destined to collide with earth today is not expected to hit until Monday. World stock markets rallied on the news."

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