

volume 13

issue 1

March, 2009

Bell Financial Management Corporation

Registered Investment Adviser

7110 SW Fir Loop, Suite 150

Tigard, OR 97223

1-800-377-0052

Sheldon's Corner

A tumultuous welcome to 2009

If you haven't happened to catch the news in 2009, headlines have been dominated by the turmoil in the U.S. economy and the attempts that politicians have been making to stabilize this fragile system. I will briefly cover my perspective on the most significant events.

We do not lay the responsibility of market performance on any one individual, however the stock market welcomed the incoming President with significant declines, of a magnitude not seen before following a Presidential inauguration. This decline kicked off the quarter and the Bears maintained dominance the market from January until March 09, at which point the Bulls took over. At the close of March, most indexes were down almost 50% from market highs.

The people's home loan giants, Fannie Mae and Freddie Mac, seized by the Government last fall, continued to post horrendous losses. Both company's net worth is below zero and so the troubled organizations have sought a capital infusion from the Treasury Department.

Further political and economic confusion surrounded the fate of troubled auto giants General Motors and Chrysler. Both were disappointed with the results of bail out pleas, receiving less government money and tighter restructuring guidelines and deadlines for a turnaround in performance than had previously anticipated. The market sentiment however, remained pessimistic.

Of course, the U.S. workforce has not been untouched by these events. The U.S. economy shed over two million jobs in the first quarter of 2009 and, at Bell Financial Management Corporation; we forecast more uncertainty to follow.

To stimulate the economy the Federal Open Market Committee left the Federal Funds rate unchanged at 0%, its lowest level in history. This low interest rate resulted in historically low yields on both short and long term Treasury Bonds. The Federal Reserve is also buying Treasury Bonds to increase the money supply. To pay for these purchases the central bank is planning to generate more money through "quantitative easing". Perhaps the Feds need a history lesson to learn about the consequences of printing your way out of financial crisis.

Bell Financial Management Corporation remains cautious about the fragility of the U.S. economy and are wary whether the market will sustain its recent rise. We see good investment opportunities ahead utilizing Preferred Stocks and Corporate Bonds.