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Bell Financial Management Corporation
Registered Investment Adviser

7110 SW Fir Loop, Suite 150
Tigard, OR 97223

1-800-377-0052

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The third quarter of 2009 was quite different than the third quarter of 2008 for the financial markets. Last year, the financial markets were in a tailspin triggered by the collapse of Lehman Brothers and the subsequent passing of the Troubled Asset Relief Program (TARP) by the U.S. Congress.

The TARP program allocated 700 billion dollars by the U. S. taxpayer to buy “toxic assets” from troubled banks to relieve their financial stress. The U.S. Treasury theorized that to protect the solvency of the U.S. banking system, it was imperative to give the banks a conduit to expel their non performing mortgages.

I have always been bewildered by what a “Toxic Asset” is. Can an asset really be toxic? The TARP program was rammed through congress in a couple of weeks (the banks saved by the cavalry). Amazingly, so far in the past year “zero” toxic assets have been bought by the TARP program.

Now let me get back to the third quarter of 2009. The stock market continued an upward momentum as investors became more confident that the worst of the economic collapse was in the past.

The risk aversion of investors last year became passé. I guess you can make a case for renewed economic growth ahead if you choose to ignore that the U.S. government and the Federal Reserve are meddling in every nook and cranny of the U. S. economy and financial markets. What surprises me is that the U.S. economy is not more robust with all the trillions spent to “stimulate” the ailing economy.

From my perspective, with unemployment near record highs and with business and personal bankruptcies and home foreclosures at historic levels, investors need to be very selective as to the financial assets that they invest in. In addition, investors who wish to succeed in their investment strategies need to be very nimble in the ever changing landscape of the financial markets.

One thing is sure, as long as the U.S. and global economies remain on “life support” by the global central bankers printing fiat money to stimulate their respective economies, a sustainable economic recovery is not going to happen any time soon.

I guess that’s why gold is priced at more than \$1,000 per ounce recently, as astute investors hedge the risk of runaway inflation as a result of all this printed money flowing unabated.

As such, Gold remains one of the sectors that I have invested in on behalf of my clients along with Treasury Inflation Protected securities. I believe run-away inflation is a risk we all face if the Federal Reserve doesn’t stop printing money to thwart the evils of an economic downturn.