



# ECM's Financial



## Market & Economic Update

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Since early March, when we turned bullish on the market, we have remained in the position of holding high levels of equities. The client accounts have clearly benefited from our stock selection process. The client portfolios have achieved some tremendous gains with the substantial rise in the market from the lows of March 9<sup>th</sup>, reflecting the fact that we are no longer likely to have a world-wide depression.

Longer term, our view remains that the US stock market has hit bottom, and the nation's economy will see an upward shift in the Fall and Winter of this year. The stock market is a leading economic indicator, meaning the market moves ahead in anticipation of what the economy is expected to do four to six months in the future. In fact, if one puts a two-year chart into perspective, all the price action of the past nine months seems nothing more than a long bottoming process. To put things in perspective, the Dow Jones Averages are up 2,600 points from the March low; however the market has only recovered 38% of the entire decline.

We maintain our anticipation of continued levels of economic stabilization, with full economic recovery in 2010. We are seeing signs of improvements in durable goods orders, progress in the stabilization of the financial system, and an increase in the effect of the economic stimulus in a low interest rate environment. Although it appears that significant amounts of money have been allocated toward economic stimulus, the reality is only about 20% has actually been utilized thus far. Even after a recovery gets under way, the rate of growth of real economic activity is likely to remain below its long-run potential for a while. Unemployment, being a lagging indicator, is expected to remain high (10-12%) until after economic growth resumes.

For most client accounts, we utilized short-term bond mutual funds in lieu of money market funds to gain more interest on any cash balances we were not immediately planning on utilizing. Those have already provided quite an increase in returns. At this point, we are continuing our course of creating a well-rounded portfolio geared for economic recovery. One of the main sectors which has lead the market recovery the most, and we expect to continue to is Technology.

There is a likelihood that the current economic plans will work, and the recession will end before the New Year; leading toward recovery. As always, our goal is to grow your investment portfolio while preserving our client's wealth.