

Money Manager Newsletter

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Investment Consulting Group, Inc.

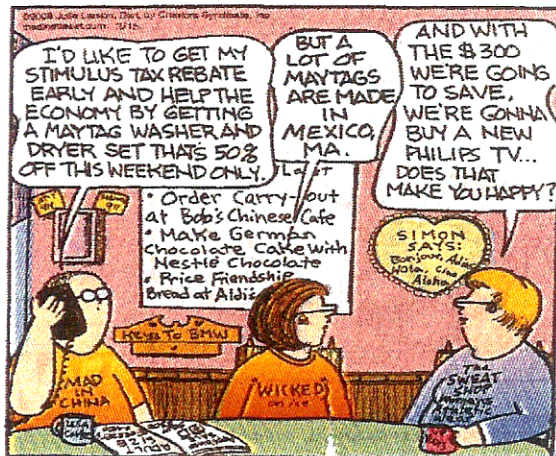
“The Key To Long Term Investment Success (And Survival) Is Discipline And Structure. NOT Consensus Views Or Personal Opinions, Including Mine”

Donald R. Stanforth, CIMA

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Tax refunds are a politically election year sham. (1 % of GDP) Who are the real beneficiaries? China and other foreign producers of consumer goods. Democrats and Republicans jumped on this ill conceived spend thrift bandwagon and the President signed off as fast as he could. The politicians expect Americans to act as fiscally irresponsible as they do. How do we pay for this? The U.S. will borrow the money from foreign lender nations (you know the countries that will sell us those consumer goods). How much better it would have been for the U. S. to stimulate its slowing economy by investing \$170 billion in needed infrastructure creating jobs instead of a short term spending binge that mostly benefits foreign consumer good producers. Over the past six months the Fed appears to be dictated by the Dow Jones index. Market down—cut rates. Then poor results cut again and open money supply. What we need is someone tough , such as Paul Volcker.

Dinette Set



Bernanke inherited a mess especially the housing bubble (Greenspan missed it completely) and a crowd of greedy, leveraged, obsessed, financial cowboy institutions

that both the fed and the government failed to recognize, regulate, and control.

The good news, recessions have historically functioned as long term economic positives, correcting the excess of previous expansions. In a free economy, the cycles of expansion and contractions are as inevitable as greed and fear.

Maybe it is time to face up to reality. The United States and Europe are no longer the world's dominant economic power. The concentration of global assets have moved elsewhere.

Various Market Prognosticators

The current turmoil in the stock market is no surprise. This market is extremely sensitive to any kind of news, good or bad. As a result, the stock market will continue to “rock and roll” for the remainder of 2008. The year will end with the stock market showing a slight profit. Stock investors should consider buying good quality stocks when prices drop to acceptable levels. Remember, you are investing for the long-term. Therefore, don't be afraid to “leave a little on the table” when purchasing stocks, at this time. It is better to do that, than miss the market altogether.

Surprising as it may seem, the GDP (Gross Domestic Product) should show some positive growth in the second quarter of 2008, following a +0.6 GDP in the fourth quarter of 2007. It could very well be 2010 before we see any type of consistent rebound in employment and consumer spending, a leveling of oil prices, and consistent corporate profits. Expect the GDP to be in the range of a meager +1.4% to +1.6%. Currently, we are in the midst of exorbitant job losses, a precipitous drop-off in consumer spending, constantly increasing oil prices, and inconsistent corporate profits. People are leaving the job market at such a rate as to actually drop the national unemployment rate of 4.8% in February from 4.9% in January. But, look for unemployment to move up to 5.5% by the first quarter 2009. The Fed continues to be extremely concerned about inflation, which has been creeping up slowly, albeit not as dramatically as in 2007. Once the Fed sees the economy growing again, there is no doubt that they will focus on inflation and slowly begin to increase interest rates.

First Fiduciary

The major problem today is not sub-prime mortgage defaults (the media would have us think that every single mortgage in America will default), but rather the strange financial products that have been created over the last five years. These leveraged products have created the necessity of huge write-offs for many financial institutions and subsequent decline in their share prices. This has caused pain and financial loss not only for those financial institutions, but for investors as well. The Fed is doing its part by increasing the money supply to replace the money lost from the write-offs. We have talked in the past about the fact that increasing the money supply is a major cause of inflation, but in this case the Fed is just replacing money lost due to the write-offs.

Dana

