



What's New?

Feddern Financial Consulting Group Newsletter

November 4, 2009

KEYS TO THE BEGINNING OF A RECOVERY:

- 1. The Real Estate market must stabilize. If not reversing, at least not continuing to fall. *NEW HOUSING STARTS UP this past Spring and Summer because of seasonal factors but inventory still huge! The Nationwide COMMERCIAL COLLAPSE IS JUST BEGINNING!***
- 2. Unemployment must stabilize. If not reversing, at least not continuing to rise. Last report was lower! *IT'S ACTUALLY WORSE as a "%," Back to near 10% - BUT IT CONTINUES TO MOUNT @ OVER 500,000+ weekly.***
- 3. Corporate Earnings (profits) must stabilize. If not reversing, at least not continuing to fall. *SOME POSITIVE SIGNS but mainly in TECHNOLOGY.***
- 4. Banks must begin to make loans again (especially to small businesses and potential home owners...albeit under ancient premises of buyers being qualified and of all things, a down-payment! Lots of "hoopla" from the mega banks, but it appears that there's no real progress. They're "hoarding" any cash they can get their hands on. And now here comes the Regional problems compounded by PRIME loan and Alt-A resets!**
- 5. The DOLLAR has to decline. *It's started for REAL!***
- 6. Auto sales must stabilize at some NEW level. *Maybe started!***
- 7. The consumer must get "back in the game of consumin'" *NO WAY!***

ANALYSIS OF THE ABOVE: No Real Hope YET! -11/4/2009

It Ain't Easy Doin' What We Do!

In the Fall of 2007, we had a series of tense meetings on the state of the economy and how our investment process reacts to grief, agony, and miseration. We were convinced that the whole thing was about to come unglued. In fact, things looked so bad to us that we spent a good deal of time talking, in detail, of what to do in the event of a complete economic and societal breakdown.

Yet in a sense we were also hesitant. Hesitant because, although our alarms were ringing loud and clear, there was hardly a whiff of concern coming from DC,

from the FED, or from the mainstream media. After all, the stock market was sitting near record highs.

In fact, all of these institutions were actively engaged in a chorus of cheerleading on just how healthy the economy was. Our indicators led us to the exact opposite conclusion. Clearly, someone was very wrong.

Fed chairman Ben Bernanke was consistently touting the strength of the economy, and even went so far as to say the housing market was a minor issue, at the very moment the foundation of the housing market was crumbling.

This man either lied outright, or was simply too dim-witted to understand what was happening. I don't have to tell you, neither option is acceptable from a man of his responsibilities. And he's STILL THERE along with countless other incompetents!

Worse still, no one I'm aware of in the mainstream media ever questioned any of this. Instead, you were treated to constant party-line, bull market rhetoric. Look, passing on unchecked data and flat-out rumor as fact doesn't count as useful information. It ought to be illegal!

Luckily for our clients, we don't rely on any of these institutions for hard analysis. Our indicators told us to begin moving to cash in November of 2007...and as those of you who were with us know...we did! Right on cue, the (DOW) market began its drop to 6,500.

While most market participants watched in horror as their 401(k)s collapsed, we were able to develop our "Ultimate 401(k)" to counteract the traditional versions being touted by Banks, Brokerages, Insurance Companies, and Mutual Fund Families.

Sadly, the vast, unwashed majority drove into the teeth of the worst recession in 50+ years without even a hint of apprehension NOR any appropriate advice from the fiduciaries. And they'll be paying for it, literally, for quite a while.

Ayn Rand was quoted in 1957: "When you see that trading is done, not by consent, but by compulsion — when you see that in order to produce, you need to obtain permission from men who produce nothing - when you see money flowing to those who deal, not in goods, but in favors - when you see that men get richer by graft and pull than by work, and your laws don't protect you against them, but protect them against you - when you see corruption being rewarded and honesty becoming a self-sacrifice - you may know that your society is doomed."

In the 25 years we've been in this business, I can't think of a time when there's been more distrust, more graft, and more uncertainty surrounding the world of finance and politics. The reality is that those two worlds—finance and politics—have essentially merged. And it's no secret there's a revolving door between DC and New York's Wall Street.

Worse still, the media has been actively collaborating, perpetuating the myth that we can spend our way to prosperity, that if we just buy and hold we'll get wealthy some day.

It's incredible to me how many of these talking heads remained on air, despite the fact that they couldn't have been more consistently wrong if they'd known in advance how things were going to turn out.

No matter which way you look, you get the sense that you're being played-upon. And you're right. The plain fact is, no one in politics, in the media, or in mainstream finance cares about you, aside from your value as a "useful idiot."

Think I'm kidding? The public's assessment of the accuracy of news stories is now at its lowest level in more than two decades of Pew Research surveys, and Americans' views of media bias and independence now match previous lows.

Just 29% of Americans say that news organizations generally get the facts straight, while 63% say that news stories are often inaccurate. In the initial survey in this series about the news media's performance in 1985, 55% said news stories were accurate while 34% said they were inaccurate. That percentage had fallen sharply by the late 1990s and has remained low over the last decade.

The Socialization Of Risk

Banks: Too-big-to-fail banks take too-big-to-believe risks, receive too-big-to-fathom bailouts, and hand out too-big-to-believe bonuses.

Wall Street: Like banks, Wall Street takes on huge risk, and takes a percentage of the gains on the way up, and the way down. And it gets a bailout. Risk gets socialized, yet profits are privatized.

The Fourth Estate (The Press): On the sidelines, foaming at the mouth, totally unaware.

Brokerage Houses: Their interests certainly aren't aligned with the small investor.

Your 401k: Gone.

529 Plans: The single biggest hoax on college-bound families.

There's a vague sensation taking hold, a feeling that American capitalism is being rigged. And as that feeling of angst manifests itself, we want you to be there with us. We CAN do something about you losing even more of your nest-egg. Yes, we know that the markets have been on a rising tear since March of this year. But what you need to ask yourself is "what are you doing DIFFERENTLY now to protect any gains?"

Think about it... Obama's been president for about 9 months now. Yet today it's even more apparent that powerful lobbyists and the wealthiest few still run America. Somewhere along the line, the deal was broken. We all feel betrayed. But what you shouldn't feel is helpless.

When we think about the out-of-control \$23.7 trillion in new Treasury and Fed debt dumped on the backs of your children and grandchildren, frankly, we rightly get more than a little teed off!

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All of our past Newsletters are available on our Website at:

www.fedderngroup.com

We continue to receive more and more inquiries about our Down-side Risk Management disciplines along with our group of recommended money managers. We appreciate your "referrals." It's the main way we continue to build our business.

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