

Don't Fight The Fed - April 2009

The March 18, 2009, actions of the Federal Reserve Board leave no doubt in the eyes of the Narmi Group at Smith Barney that the Federal Reserve Board is fully committed to a full economic recovery as rapidly as possible. There is no doubt in our mind that the Federal Reserve's announcement of the outright purchase of \$1.5 Trillion of Treasury bonds and Mortgage Backed Securities is designed to do three things: One, reduce interest rates for corporations and individuals in order to facilitate debt management and debt reduction; Two, reduce Mortgage rates for all individuals so that old mortgages can be refinanced at lower and more manageable rates and to put a "floor" under housing prices through an affordability factor induced by lower mortgage rates. Three, to provide a growth stimulus to the economy, which could help to preserve jobs and spur investments in new plants and equipment.

We indicated in our January newsletter that we felt the Federal Reserve would do whatever they deemed necessary to solidify the financial system and, thereby, improve the chances for overall recovery in the economy. Warren Buffett made a similar observation in his March 2009 letter to shareholders of Fed activities that he thought might possibly come from the Fed in the future. We have consistently said that one should not underestimate the financial powers of the United States of America when confronted by serious events. We have consistently said that we feel that America could emerge from current events in a "leaner, faster, stronger fashion than most of our competitors". We also have said that the powers of the Federal Reserve Board are virtually unmatched by any sovereign banking system in the world.

We think that the course of equities will remain volatile throughout most of 2009, but the actions of the Federal Reserve Board leave little doubt in our mind that economic recovery is on the way. Stocks discount future events. We believe 2008 discounted 2009. We also told you that we think 2010 will be the year of positive economic recovery. So, if stocks are a discounting mechanism, what investments do you think one should maintain or accumulate more of in 2009?

We are extremely pleased and Bullish about the future of America because of the Federal Reserve's actions and the resiliency of the American people. As Scooter said on the winning play in the classic basketball movie "Hoosiers", "Don't get caught watchin' the paint dry". The Narmi Group now says with a much greater degree of confidence "don't be afraid to take your shot".

Even in these difficult times consider sharing some of your resources with your Church, Family and Community or School to the best of your ability. This is where the real dividends of life are paid.

Finally in closing, do not forget what we believe to be one of the most absolute rules of investing: Don't Fight The Fed!

Also, please send Ellie your current email address so we can keep you updated: ellie.sweet@smithbarney.com

Sincerely,

The Narmi Group @ Smith Barney

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Please contact your Financial Advisor for a complete listing of all transactions that occurred during the last twelve months.