

## Review for the 1<sup>st</sup> Quarter 2010 and future outlook

### **A Greek tragedy meets ‘My Big Fat Greek Wedding’**

A Greek tragedy refers to an ancient theatrical performance originating about 2500 years ago in Athens Greece. These performances had characteristics of personal conflict, betrayal and a fatal calamity.

In the 1<sup>st</sup> quarter of 2010, our financial markets were shaken by a real life tragedy when the government of Greece was in danger of defaulting on its national debt (the equivalent of bankruptcy). The threat of default caused great concern because if Greece collapsed, other countries and markets could be at risk.

Instead, thanks to European intervention, the crisis resembled something like the 2002 hit movie ‘My Big Fat Greek Wedding’. In the movie, a middle class Greek-American woman named ‘Toula’ falls in love with a non-Greek man. They ultimately overcome their cultural differences to unite their families.

By the end of the 1<sup>st</sup> quarter, the European Union (EU) and Greece were finding ways to save their ‘family’ and it appeared likely the EU would provide aid to the struggling nation which had the effect of preventing a Greek tragedy.

### **Forth consecutive quarterly gain**

In the 1<sup>st</sup> quarter, the Dow Jones Industrial Average gained 4.1% marking the fourth consecutive quarterly gain for the popular stock market barometer. The broader based Standard & Poor’s 500-stock index rose 4.9% but is still 25% below its all-time peak reached in October 2007. Smaller stocks did particularly well with the Russell 2000 index of small-company stocks posting a gain of 8.5%.

### **A rocky start to the quarter**

Despite the gains, 2010 got off to a rocky start as China indicated it was tightening bank lending standards, Greece was struggling to stay solvent and political developments in the U.S. health care debate all caught investors off guard. By February 9<sup>th</sup>, the Dow Jones Industrial Average was off 7% from its mid-January high and was down 5% for the year. As the Greek crisis became contained stocks regained their footing and markets soon stabilized.

## **Interest rates and stimulus**

A big variable for the markets in the next quarter is the pace at which the U.S. Government will wind down the support and stimulus it has injected into the economy. We believe that as the economy improves, the U.S. Federal Reserve will at some point begin to push interest rates higher.

## **Foreign markets**

The focus of attention was Greece. The government was running up huge budget deficits and dealing with a struggling economy. At one point Greece's ASE Composite (stock) Index was off 17.8% but managed to finish the quarter down 5.9%. Other countries that are thought to face similar budgetary issues as Greece also saw stock market declines. Spain's IBEX/35 fell 9% and Portugal's PSI/20 dropped 4.3% for the quarter.

## **Recommended reading**

To better understand one of the most tumultuous periods in American financial history we recommend reading *'Too Big to Fail'* by Andrew Ross Sorkin. The book is a behind-the-scenes look at the key players and events leading up to and during the biggest U.S. financial crisis since the Great Depression. Go inside the boardroom at Lehman, to secret meetings in Korea, and meetings at the White House and Treasury. Sorkin, a columnist for the New York Times writes a real life thriller with a 'fly on the wall' perspective. *Too Big to Fail* re-creates all the drama and turmoil as it unfolds and provides an educational experience into the depths of the crisis.

## **We are here for you**

We look forward to continue serving your investment management and financial planning needs. Please contact us if you have any questions, if you'd like to schedule an account review or learn more about our comprehensive planning services.