

110 Fort Couch Road, Suite 108  
Pittsburgh, PA 15241-1030  
Phone: 412.851.1400 Fax: 412.851.1403  
E-Mail: kfg@kapustafinancial.com  
www.kapustafinancial.com



## **Market Update: Correcting, not Crashing**

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It's difficult to watch. It's nerve-racking. The market volatility of late is certainly cause for concern. But there is no need to panic.

What's happening on Wall Street - and in our economy - reflects what we believe is a 'correction' in the markets, not a 'crash.' The wild fluctuations in the stock market coupled with the non-stop analysis by countless pundits can make it difficult to separate fact from fiction.

But here are the facts:

The current cycle is reflecting a growing problem facing many countries around the world - enormous debt. With our global economy, what happens in Greece, Italy, Spain, or Portugal sends shock waves to our shores. Many countries in Europe are facing serious economic challenges - too much government spending - something not limited solely to European countries. International debt is a significant problem and we're seeing the ramifications of the problem reflected in the whipsaw volatility of our equity markets in recent days.

Even if the international picture was brighter, there's strong evidence to suggest that our markets still would be facing volatility. Big gains in recent months point to the fact that a market 'correction' of some degree was imminent. Clearly, the international problems are amplifying the uncertainty on Wall Street, but many indicators signaled a 'correction.'

Right now it's a difficult time, to be sure. But we're confident that for long-term investors this 'correction' will amount to a buying opportunity. There is light at the end of the turbulent tunnel. Most of the world's major corporation's balance sheets are much stronger than the balance sheets of the countries in which they do business in.

The nation's economic recovery is underway. Corporate earnings are up. So are manufacturing orders. And, the consumer is getting back into more normal spending patterns. Retail sales continue to improve.

At the same time, though, we're not out of the woods yet. Unemployment is still too high and many of our nation's banks continue to embrace a 'tight-fisted' lending policy - still making it very difficult - even for credit-worthy consumers - to get loans. And, it's clear that not everyone believes we're out of the danger zone. The Rasmussen Consumer Index, which measures the economic confidence of consumers, reports that 69% of investors still believe the country is in recession.

And, there's still very valid concern about our nation's debt - our government spending. Former Federal Reserve Chairman Paul Volcker recently said that time is 'growing short' for the U.S. to address its economic problems ranging from a burgeoning budget deficit to funding obligations like Social Security. We agree.

Yes, there are signs that the economy continues to improve. But there's still a lot that needs to be done. And, without question, there will be more bumps along the way - and that means on Wall Street, too.

It's our hope that the recovery now underway will continue and strengthen. We remain guardedly optimistic. That means we'll continue to manage risk and take advantage of sound investment opportunities as they surface. We are closely monitoring all of these ongoing developments - both in this country and abroad. And we will bring you updates when warranted.

We're grateful to you for your trust and confidence in our work. If you have any questions, please don't hesitate to give us a call.

Sincerely,

*George*

George M. Kapusta, CFP

President