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Final Quarter - 2010: A Clear Picture of Uncertainty

It's a message that you have heard from me before. The fact is the economy and our markets are still sluggish - still recovering - and still very vulnerable. There's no way around it - the outlook for the final quarter of this year remains uncertain - the theme of 2010 which is likely to continue into the new year.

What makes this quarter so important are the upcoming mid-term elections. Polls continue to show that most Americans do not believe we're on the right path when it comes to the economy. And, the outcome of the elections, less than one month away, could certainly play a vital role in how Americans view this uncertain economy. Will the elections produce consumer confidence? Will they bring change to Washington? Change to our government, our economy?

As the elections approach, there's still no shortage of troubling signs:

- While businesses have cash on their balance sheets, they are not willing to spend it because of unresolved issues like the expiration of the Bush tax cuts, and the unknown costs of implementing the healthcare and banking bills that were signed into law this year.
- Banks aren't lending and consumers aren't borrowing. There are many reasons for that including the fact that banks must now keep much larger cash reserves on hand by law. Also, 1 out of 7 mortgages are now delinquent or in foreclosure. And more than 8 million Americans are receiving unemployment benefits and another estimated 4 million people have quit looking for jobs.
- While there's been a recent surge in the markets, don't be surprised if those gains are wiped away in October or November. The economic news just doesn't justify a continuing rally. In addition to failing mortgages and unemployment concerns, 120 banks have shut their doors this year alone. And, now, one out of six Americans receive government assistance to make ends meet - including more than 44 million Americans who receive food stamps.

There are still real questions about when we will see sustained, tangible improvements. And, with the elections front-and-center, it appears the markets and economy are seemingly 'on hold' waiting to see what happens.

As we continue to meet the challenges of an uncertain economic environment, we'll let you know when we see change ahead - good or bad. Check out our redesigned website <http://www.kapustafinancial.com/> and get frequently updated financial and economic news posted on our site - <http://www.kapustafinancial.com/resources/articles.html> We thank you for your confidence in our work. We are here for you. As always, if you have any questions please do not hesitate to give us a call.

Sincerely,

George

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President