

## THE "IT DOESN'T MATTER" MARKET

Today marks the end of the first quarter of 2011. You'd expect the volume and scope of troubling news in the past few months to take a toll on Wall Street. But that hasn't happened. In fact, it's almost like we've entered the "it doesn't matter" market. Even in the face of bad news, and negative economic reports, the market incredibly marches on in the face of clear and present danger.

Events in Japan, the Mideast and Portugal – separately and collectively are stressing the global recovery. And with the U.S. economy already ill-at-ease, we're facing new concerns about the real estate situation, the unmistakable signs of inflation, and mounting federal debt.

The real problem facing the world and U.S. economies is, in a sense, hidden - even invisible. You don't see it, but there's a tremendous flood of money being injected into the financial system by the central banks here and abroad. In this country, the Federal Reserve continues to print an enormous amount of dollars – \$100 billion each month. That's in addition to the \$2.1 Trillion dollars printed (SINCE) in 2009!

This global money infusion certainly has contributed to this irrational market where gains are not grounded in reality. And, history shows that as long as the central banks continue to print money to "keep their economy going" - which is exactly what is happening now - the market run up can continue longer, defying predictions.

We are operating in an unprecedented environment. It may not seem like it, but the "it doesn't matter" market is vulnerable. At the moment, though, this market continues to move ahead ignoring the traditional cause-and-effect actions that governed markets in the past. This extremely challenging time requires both caution and patience. We are committed to walking the fine line between embracing a trend that to a large extent is artificial and can end at any moment and staying disciplined and making prudent investments during the most challenging and unpredictable of times.

One of the world's most experienced investors was asked by the *Wall Street Journal* what worries him the most about the markets. John Bogle, founder of the Vanguard Group Inc., replied: "I've never seen a more difficult time to invest, with the specter of these enormous deficits hanging over us, and the global economy teetering a great deal more than people think it is." He made those comments last November. They are even more true today.

Working with you, we are dedicated to providing you with investment advice that is sound and prudent. Thanks for your confidence and trust. If you have any questions, please give us a call.