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ARE WE THERE YET?

We have found that the incessant questions asked by children on a trip are also imitated by adults on CNBC and virtually everywhere else.

We have heard literally thousands of times in the last months "Is it time to buy the financials? Is the market at the bottom? Is it time to get in?" The questions go on and on by many who should know better because, of course, there is no answer.

We view the markets as fundamentalists, and are sorry to say, the news is not yet good. In fact it's very bad! Our desires cannot control reality.

More than 663,000 jobs disappeared from the economy in March bringing the total in excess of 5 million. Tragically, we seem to be getting used to figures like these. The first three months of 2009 saw the unemployment rate soaring to 8.5% up from 7.6%. This is the highest level in more than a quarter of a century. More than 2 million jobs were lost according to the Labor Department's employment report released on Friday, April 3. Nearly every job category was affected, and Dean Baker, a director of the Center for Economic and Policy Research in Washington said "There is just no way we are anywhere near a bottom. We'll be really lucky if we stop losing jobs by the end of the year."

These events have prompted talk that another wave of a government stimulus spending may be needed to augment the \$787 billion already being spent. Baker continued "We are clearly looking at a worse downturn than they had been anticipating when they planned the stimulus." Mr. Baker, whose

organization tends toward liberal policy prescriptions, said "We're going to need some more."

The argument is whether we need more stimulus now or later, how many dollars will be required and how can the country afford it? Above all, will it work?

This severe recession/depression was initiated by a crisis in the credit markets. The crisis still exists as no one has yet been able to determine the value of the toxic assets that the banks and the non-banks carry on their books. We believe that AIG still carries approximately \$1.6 trillion of toxic assets on its balance sheet. Until an answer can be found that can put a value on the toxic assets held by the banks and "non-banks" the crisis will continue.

Consumer spending appears to have leveled a bit after nose-diving in the last quarter of 2008. Auto sales improved slightly month over month in February versus January, and house sales have been improving in important markets like California and Florida although at substantially reduced prices. These are all most welcome signs, but they hardly negate the overwhelming problems our nation continues to face.

It is most important that, we must not overlook the fact that the rest of the countries around the world --- large or small, developed or developing --- are facing the same problems, many of which are even more dire than those here at home. They all directly affect us as the world in reality is one great big Tar Baby like the one in Uncle Remus' old Georgia story.

What we really need, is to find and convince a Brer Fox to fling us, Brer Rabbit, into the Briar Patch. Remember that was how Brer Rabbit escaped Brer Fox because he, Brer Rabbit, was Born and Bred in the Briar Patch. Easter, one of Brer Rabbit's favorite holidays, is coming in a few days, and that could be a good omen.

Another good sign: Stock and bond markets have been stabilizing when compared to the last five or six months, and there have been rallies in this extremely volatile bear market that have been strong enough to bring risk-takers back into the fray. We are encouraged by these developments, but do not believe they can be sustained until we see concrete improvement with regard to the fundamentals. We repeat that the basic problems, unfortunately, will continue until a workable solution can be found for the all pervasive credit crisis.

Further, we warn investors to take with a grain of salt the exclamations by the pundits and TV entertainers that certain stocks or stock market averages are up 10, 15 or 20%. While their words are technically correct, they are, nevertheless, deceptive.

A most important yet simple example: If an investor buys a stock at \$10 and it sells down to \$1 per share, the loss is 90%. (Many stocks have fallen to this extent over the last year and a half.) What we are warning about is that when the "talking heads" are exclaiming that a stock or a market has risen by 10 or 20% or whatever, it can still take our investor, with his 90% loss, a very long time to get even. The plain truth is that for his \$1 dollar stock to rise to \$2, the stock has to rise by 100% --- while for his stock to return to \$10, it will have to rise another 400% before he can break even.

This is why we always attempt to Conserve Capital because the simplest way to make money is to keep from losing it in the first place.

A few other subjects that are of great importance but that would turn these few pages into a book are the value of the dollar

versus gold and the hyperinflation that U. S. deficits combined with oceans of our fiat/paper money will produce; and, the forthcoming bankruptcy of General Motors and how that the issues created by that event will be handled by the Obama administration's managing Union demands.

Would it surprise you, if when the government can or will no longer push the string, the UAW would use its weight to have Nancy Pelosi and Harry Reid confront President Obama and the non-union public from stopping the endless spending "to save" the auto industry? You won't have to wait too long for this one.

And by the way, China holds America's financial future in its hands right now. China can control this country's economic destiny with the dollars they own today --- and they know it! Where are you Brer Fox? --- now that we need you?

From April's *Atlantic* magazine: "*Netanyahu to Obama: Stop Iran --- Or I Will.*" Jeffrey Goldberg wrote: *...shortly before he was sworn in today (April 1st) as prime minister of Israel, Benjamin Netanyahu laid down a challenge for Barack Obama. The American president, he said, must stop Iran from acquiring nuclear weapons --- and quickly --- or an imperiled Israel may be forced to attack Iran's nuclear facilities itself."*

These are very interesting times presenting extremely interesting challenges. We need to have Brer Fox make another Tar Baby so after getting caught we can escape to freedom by having him fling us into the Briar Patch where we were Born and Bred.

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