WISLAR
WEALTH MANAGEMENT, LLC
Optimum Wealth & Life Strategies

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Depressing - Yes. Depression – No.

Last week went down in the history books as the largest weekly decline ever for the U.S. markets. But, from Friday's low to the close on Monday we enjoyed a Bull Market gaining a total of 24%. Yes, these are the most volatile markets I can ever remember. Some are even questioning capitalism; my view is a capitalist system is still the best option, but with a few more rules and oversight.

I won't rehash what got us to this point over the past year, the media is on it fulltime. But what transpired over the past six weeks does deserve a look. Credit has gone from tight to non-existent. The problem is trust. CEO's of some of the world's top financial companies have outright lied, denying exposure to troubled assets and upcoming write downs. I don't trust them either, but when UBS won't lend to Credit Suisse and Credit Suisse won't lend to Deutsche Bank, "Houston we've got a problem". The grease that keeps the world economies moving has dried up.
Bring in the cavalry, as the leveraged entities deleverage, there is only one balance sheet that can absorb the mass of dumped assets - the world governments. This isn't the first time this has been used; this method has been quite often used in history, sometimes the problems have been addressed quickly and some not. An example of 'not' was the Great Depression. The U.S. stock market began a huge dive in 1929 and with it went the U.S. economy. The then current President Herbert Hoover believed the federal budget had to be balanced no matter what. As the economy slowed, so did the tax revenues. Hoover then raised taxes and tariffs and the economy slowed more, revenues fell farther behind so he raised taxes again. By the time F.D.R. took office the U.S. economy was belly up. Great lessons were learned at the expense of our economy. After taking office F.D.R. took quick action to re-liquefy and get the economy moving using similar techniques that we're seeing today. There are a multitude of other examples over the past 75 years, some have turned out better than others, but the world has survived.

So now what? The cavalry is here showering the economy with billions of Ben Franklin's. Where are they getting all of this money? The 3 month Treasury Bill is now yielding just .25%, borrow at .25% and invest for a 5% plus return. Makes sense to me.

The economy is resilient but think of it as a 100 car freight train. If it comes to a complete stop, it'll take awhile to get back up to speed. Over the past six weeks it came to a complete stop and it's going to be slow to recover. My best guess is we'll be back up to cruising speed in 18-24 months, but between here and there we'll have several more months of recession. With this turmoil opportunities abound. On Friday the estimated Price to Earnings ratio of the S&P 100 fell below 10 for the first time since the market bottom in 1974. The dividend yield of the Dow Jones Industrial Average surpassed the 10 year Treasury for the first time since the Great Depression, and the yield of AAA rated corporate bonds is at its widest point over the Treasury bond since the Depression. Yes, I'm sure we've got a few more shoes to drop, but the patient investor will be handsomely rewarded over time. If you look at history, investing during recession has yielded the highest future returns. And if you're lucky enough to find a depression you'll do even better, the market rallied 367% over the next five years from May of 1932.

We will be very busy working on our clients accounts to take advantage of the recent opportunities. But, will be sure to keep you up-to-date as events unfold.

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