IN-SIGHT©

TIMELY OBSERVATIONS AND HOW THEY MAY IMPACT YOU

MASCAGNI & COMPANY, INC.
Providing financial planning for financial changes.

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PLANNING PERSPECTIVES—

You have often heard it said in our industry that it's "time, not timing" that matters most. This brings little comfort, however, to investors who don't have time on their side. So let me re-emphasize some thoughts we shared in a client letter back in 2001, now that the markets have recovered quite a bit from the lows seen to-date in early March.

As always, <u>if time allows</u>, one should be invested for the long-term. This is especially true if your investment plan was designed with a long-term perspective. In general, timing in and out of the market usually doesn't work, and it increases the chances that an investor will be on the sidelines when the next growth phase begins. But things can and do change, and often an investor will find himself or herself with less time than originally planned for. What do you do then?

In that case you should initially sit down and review your investment plan, <u>and be willing</u> to implement changes that may be needed. When we experience volatile markets like we have in the past 6 months, it is easy to learn more about your risk tolerance and improvements needed. This will help you become a well-rounded investor and help you maintain a more objective view in the heat of volatile markets. Many times a more tolerable strategy will help to keep you invested long enough to see good days that often come at unexpected times in the markets.

Next, if you are currently living off of your investments (typically common in meeting retirement or disability needs) to supplement your income, consider storing up one or two years worth of cash equivalents that are liquid. By doing so, you in essence buy yourself more time to ride out the short-term volatility in the markets. And if possible, in order to regain some of your temporary losses from last year, it would be wise to do this on a positive week in the market.

Remember, it is critical to discuss your situation with us in order to have your investment portfolio properly adjusted for the years ahead. We encourage you to give some thought to this and schedule a meeting with us in the near future to fully discuss your situation again, and to update us on any changes that are necessary for you.

Respectfully yours,

Randy

- We are closely keeping our eye on the labor market, a drop in initial jobless claims could signal the recession may be near the end (see Chart of the Month).
- Emerging countries are leading the charge for the latest market rally... will this continue?
- Housing was the bubble that led to the downturn in 2008... when will the sector recover?

ECONOMIC PERSPECTIVES—

The beginning of In-Sight. Randy, Matt and I meet each week to discuss the major themes that we see going on in the market and the economy. Many ideas are born out of this meeting, so we have decided to take another step and outline some of them in a monthly newsletter. The markets are always changing, and we do our best to keep up with this for you. Our advice is by no means perfect, but we are looking out for your best interests. We do not take lightly that we have impact on your financial well-being. It is easy for folks to get caught up in the fear or euphoria that the markets give us, but at the end of the day, we are always trying to look for opportunities for you.

Each month we will highlight some of the major themes that have our interest piqued. We will focus on the economy, and in this issue in particular on the Labor Market, International Economies and Housing.

The Labor Market is one of the major driving forces for the U.S. economy. U.S. consumer spending represents 70% of the Gross Domestic Product, with housing as the majority (Hoover Institution). That basically means that once more consumers are hired back into the work force, the easier it is for GDP to go up. The Chart of the Month is New Jobless Claims, which shows the number of individuals who filed for unemployment insurance for the first time. Northwestern professor Robert

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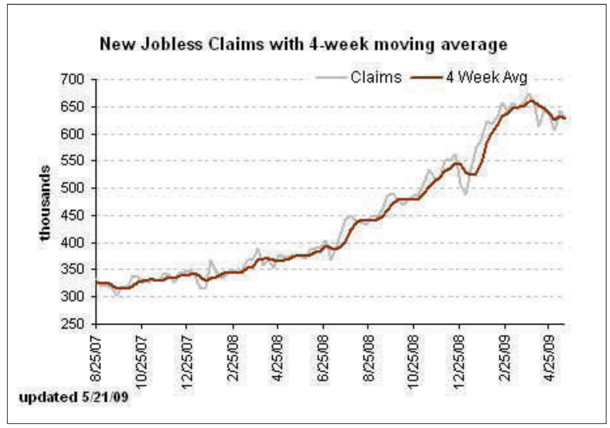

Updated 5/21/09. Source: Econoday

Gordon found that for each of the last six recessions, once the new claims number began declining from its peak value, the NBER subsequently dated the recovery from that recession as beginning within 8 weeks. Claims appear to have topped out, but analysts have stated that they will be more confident once Initial Claims have dropped below 550,000 (currently 628,500). We will keep you posted (Source: NBER 5/16/09).

The IMF estimates Emerging Market Economies will have a rebound in GDP faster than the United States and most of Europe. For example, countries like Brazil and China are estimated to have a GDP of -1.301 and 6.52 respectively for 2009. For 2010, Brazil and China are estimated to have a GPD of 2.165 and 7.51 respectively. That is compared to the U.S. having an estimated GDP of -2.751 for 2009 and -0.049 for 2010 (Source: International Monetary Fund).

Housing starts (new home construction) in April fell sharply to a new record low (since 1959) of 458,000, after peaking at 2.2 million in January of 2006. These levels are historically low, but they are below replacement levels. If the U.S. continues to have population growth, housing starts need to be at least 1 million annualized. It will take some time to work off the extra inventory that is on the market, but the lack of building will speed up the process. We see housing starts getting back to normal levels later this year to beginning of 2010 (Source: Streetscape Economic Calendar).

Overall, analysts have stated that they see signs that the economy is not in the tailspin that most people thought during the first part of the year. We do not think that the U.S. economy is out of the woods, but it is finding firmer ground to stand on. We will pay attention to the U.S. consumers: they will be the driving force that picks up our economy. We will keep you posted on new developments. We appreciate working with you, and we do not take that responsibility lightly.

Until Next Time,

Brian

PERSONAL PERSPECTIVES—

Over the past couple of weeks I have been reading out of a book entitled "David"♣. I was challenged after reading chapter seven which details a low point in David's life—after "*he lost his job, his wife, his home, his counselor, his closest friend, and finally his self-respect*." Can you imagine such losses? This got me to thinking, and what I'm learning this week is that my focus comes from a different perspective (admittedly, a selfish one) rather than how God sees the events of my life. At this seemingly hopeless time for David, even as he fled to a cave in retreat, his friends, family, and others (up to 400 in total) came to live among him—and they also began to look to him as their leader! I don't like to think about the loss of even one of those David suffered. In fact, I can become discouraged by everyday events, and if I'm not careful even let them confuse or depress me. These distractions come at me in several various forms—maybe you can relate (the economy, ongoing personal struggles, disagreements with those I care most for, friends moving away, job changes, long-lasting illness... etc.)? Through these times I'm beginning to see that I need to step back and get my viewpoint in-check. And I'm also challenged (though many times it's tough) to be *thankful*—if for nothing else, for the often "painful" growth that God provides.

Just thinking,

Data referenced in this newsletter is from sources believed to be reliable, but is not guaranteed.

♣ David: A Man of Passion & Destiny; Great Lives from God's Word, Vol. 1; Charles R. Swindoll; Word Publishing, 1997.