



November 2008

I am starting to look at some interesting data that has come across the wires in recent days. For example, today BMW reported a 63% drop in profit yet the DAX (German stock market) closed up 4% overnight. UBS, largest Swiss Bank which YTD wrote-off over \$50 billion in sub-prime debt, reported a Q3 profit but warned that Q4 will be lower. Germany, one of the largest exporters in the world, will (if not already) go into recession. Yet with all this negative information, the markets are actually stabilizing. From a positive perspective, LIBOR (London inter-bank overnight rate that banks lend to one another) which was at 4.75% a month ago (the highest level on record), is now just under 2.76% - this means that the credit freeze that the world markets were worried about is now starting to thaw. Markets hit bottom back on October 10, 2008 yet since then that low was only tested once. The VIX meter (measure of market volatility) hit an all-time high in October 2008, yet it is now starting to trend downward which means stock market volatility is starting to sub-side. Please click on the link below for the VIX chart:

http://online.wsj.com/mdc/public/npage/2_3051.html?symb=VIX

For those that were not aware, back in 1973-74 when both the stock markets were down and the economy was in recession, the stock markets recovered by 70% 18 months later. 75% of that recovery happened while the economy was still in recession. On that point I wanted to end by including an attachment which shows the covers of Time Magazine over the last 30 years. The covers picture times of uncertainty, stock market downturn, crisis, etc. Each cover shows the value of the U.S stock market at that time followed by it's performance 10 years later. It is an indication of how markets have declined in the past, yet eventually recovered to the positive.

If you have any friends or relatives who would find this information useful, feel free to forward it to them. As always, if you have any questions, please do not hesitate to contact me.

Best regards,

A handwritten signature in black ink, appearing to read 'Leo Belmonte', written in a cursive style.

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