

## High Desert Investment Advisors

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*Serving Your Personal Investment Needs Since 2003*

### INVESTMENT ADVISORY

April 9, 2009

Please Reply to This Posting if You Have An Interest in This Advisory

Investment Alternative Options:

- A. It is time to begin investing in equities on a short term basis. From the Market action during the past 3-4 weeks it is pretty clear that we likely have seen the near term bottom of the market - at the 660 level in the S&P Index. Because of the fundamental deterioration in the global economy, there will probably be a sideways trending stock market trading range - between the levels of 650 and 900 in the S&P Index. It may be that this current rally goes as high as the 950 level (at the time of this writing, it is at about 850). At some point it is also likely that the stock market will retest its low prices of last March. During this retest, we plan to begin a tactical strategy of short term trading using technical models and the S&P Index ETF (exchanged traded fund) symbol SPY. Our thinking is to use between 10% and 20% of the money that is set aside for later reinvestment, as a target commitment to this strategy. We will invest only after the market has retraced to lower price levels. We do not recommend buying at the current price of the market.
- B. The longer term outlook for reinvestment into the stock market has brightened somewhat, with a lot of change indicators beginning to show signs of potential for economic growth returning. At this time, the risk is high and our Financial Model is very negative. When the Model turns positive, it will be time to dollar-cost-average back into the market using a mutual fund strategy that includes a balanced and correlated portfolio of stocks managed by some of the best managers available.

Option "A" will not be everyone's choice. It will have some risk. That being said, it will be designed around a strategy that keeps losses small and attempts to be invested for long term trends.

Option "B" is a patient strategy, one that is designed to take advantage of our current fixed income holdings for continued profits and to be reinvested in the stock market when economic growth is more predictable - the risk of investment losses is less.

Virtually all our client portfolios are almost 100% invested in fixed income assets that are essentially government guaranteed, with yields ranging between about 4% to over 6%. For clients who set up this strategy before January 1, the yield is over 6%. Today, this portfolio will achieve yields in the 5% area, plus or minus 5%.

Since the 1<sup>st</sup> of January, every portfolio that I have analyzed to date is higher than it was on January 1.

I think that it is time to begin our reinvestment strategy. If you would like to participate in Option "A", please respond by email - or by phone, if you would like to discuss the planned strategy in greater detail.

For those of you who are comfortable waiting for a time when risk is more diminished - Option "B" - The Financial Model will be our guide. Another Advisory will be issued when it is time to execute this plan.

Note that I will be out of the office until Friday, April 17.....gone fishing to take a much needed break.

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