

## High Desert Investment Advisors

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*Serving Your Personal Investment Needs Since 2003*

May 9, 2010

*We have prepared a stop-loss strategy, to be used for the time when stock market and economic trends change.*

*Now is the time to get ready for the activation of that strategy.*

*If it is necessary to liquidate our equity positions, based upon our management models, you will receive an Investment Advisory Letter recommending specific actions.*

*This letter is a "Heads Up" to the near term possibility of such a recommendation.*

### **The Future?**

Interestingly, our Economic Model suggests a rather stable consolidating trend for the economy and for the stock market. This would mean lower volatility and relatively small stock (returns in the 2% area) for the foreseeable future - meaning 6 months to 1 year. The Technical Model continues indicating a positive trend for the stock market. However, this past week's market price action brought that Model near its limits for recommending the liquidation of all equities. This Model is designed to prevent significant losses to our investment portfolios, at times when the stock market acts contrary to apparent economic fundamentals. The stock market is priced at a level today that indicates two options: 1) It may be time to exit all stock market positions; 2) It is time to buy stocks, but with the caveat that, any new positions may have to be closed out shortly after their purchase.

Most of you receiving this Investment Letter are already fully invested, to the limit of your projected level of stock market equities. There is some small amount of money waiting to go into the market for a few investors. We will be putting that money to work soon.

### **Will We Muddle Thru This Time?**

The issues we face today are many, and varied. Currently, that which is of greatest concern, relates to the economic survival of Greece, Portugal, Spain, and by extension, of the European Union. Being an optimist - generally - I (and most investors) prefer to believe that our leaders - Global Leaders - will come together to do what is in the long run best interest of the Global Community.

What happened last week to the world stock markets, reflects a wilting away of that faith. The markets began to accept the ultimate failure of EU negotiations requiring its members to govern while limiting sovereign debt accumulation. This could lead to the ultimate breakup of the European Union, thereby generating a severe depression across the global economy.

This is one of those "Sand Pile" moments when it is impossible to know what the next grain of sand, added to the top of the pile, will generate in the way of a collapse occurring in the pile itself. In other words, if the Greek Government does not get an excessively large commitment from the EU and the IMF together, there is a likelihood of a cascading failure of confidence in the future of the EU. Investor Confidence can be a very volatile "mover of markets".

For now, we wait, and we expect that the growing momentum underlying the U.S. economy to continue, even after the stimulus money is withdrawn later this year.

The need to execute our stop loss strategy will not occur in the coming week. If it does happen, it will happen a week later or sometime further in the future.

I know that this letter is somewhat cryptic. Please come back to me by return email with your thoughts or questions. Let's talk and decide together what you want to do with your investments.

Take a few moments to look back at the January 31, 2010, High Desert Advisor letter. Review it if you like, to understand the thinking that went into the investment modeling process we have put in place. The Models seek to limit risk to our portfolios, not to time the market or to sell tops and buy bottoms.

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