

High Desert Investment Advisors

Albuquerque New Mexico

Voice - 505-797-2644 or 505-220-0571

Fax - 505-797-1901

Serving Your Personal Investment Needs Since 2003

May 21, 2010

The past two weeks have seen very volatile markets and considerable turmoil in the international arena - specifically, the European Union, Greece, Germany and France. The political issue is the survival of the Union - what survival options are available.

In terms of your investments, such turmoil and volatility cause much angst. How much money is being lost; when does capital preservation override the need to recover previous losses? The good news is that almost all of your investment portfolios have a minimum of 1/3rd more fixed income than the targeted risk level allocations we established years ago. There is much more stability built into each of your portfolios than is normal. This works to your advantage during times like we are experiencing now.

What should you do now? What should we do now?

If you can't live with the idea of potential losses . . .

If you just want to stop the losses, you can sell all of your stock and mutual fund investments.

We can find alternative investments that have guaranteed growth using an insured annuity.

We can invest all of your money in stable fixed income bonds.

If you can live with some potential losses but do not want to suffer a catastrophic loss . . .

My recommendation for you is to use the investment plan that is in place. Listen to the fundamental Financial Model for guidance into the future, and rely on the Technical Model as a stop-loss determinant, should this be needed, in order to prevent large losses.

The Financial Model is positive today. It says that the U.S. economy is growing and will continue to grow for the next 6 months (the length of time that the current numbers can project forward). For the first time in two years, this Model is close to recommending 100% investment in stock and mutual fund allocations. Today, that recommendation is at the level of 63%.

The Technical Model is not yet in sell territory and is probably about 4 weeks away from making that recommendation, assuming that the stock market continues to fall.

Summary Analysis

This market is very oversold and is close to the bottom end of the range for this technical guideline. Politicians in the U.S. and in Europe are confirming attempted resolution legislation a.) for financial regulation, and b.) for preservation of the Union, respectively. Action is positive, even if the legislation requires modifications after passage.

The current downturn in the stock market seems more related to political issues than to economic issues. Of course, political decisions can and will affect economic conditions. Economic fundamentals will eventually point the way for stock market prices.

In short, I think that this is a time to wait before taking action.

Dick Brackett
High Desert Investment Advisors, LLC
Registered Investment Advisor
505-797-2644

****This analysis is provided to you for informational purposes only. Actual investment results may be materially different from the projected performance results portrayed. This report uses information that is considered reliable, but it does not represent that the information is accurate or complete, and the report may not be relied upon as such. The report is not intended to be either an expressed or implied guaranty of performance. It is not intended to supply tax or legal advice. There is no solicitation to buy or sell securities.