

High Desert Investment Advisors

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Serving Your Personal Investment Needs Since 2003

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HIGH DESERT ADVISOR

The essence of this advisory is a question to you.

As your advisor, it is incumbent on me to state the issues, present the options, make a recommendation, and ask you for your decision. The financial markets are in crisis. Stock market price momentum is down and there is an increasing level of investor anxiety every day as prices deteriorate further. This anxiety is feeding on itself.

The downward momentum is increasing. At this writing, the S&P Index closed at a price level of 996. There appears to be no support level in the current market until the S&P Index goes under 800 - about a 50% loss from the high of 1576 last October. It seems likely that this event will occur within the next several days. (In fact, it may happen before we have time to be able to take any action at all!)

- The risk to selling at this level is that it would be selling at a very low point in the market.
- The risk to taking no action is that stock market prices can go to zero.
- The issue is capital preservation.
- The question is “Do you want to ride out the market volatility?” or “Do you want to sell?”
- If you acted on earlier advisories, you have liquidated 25% of your equity positions already.
- The options:
 1. Do nothing and ride it out.
 2. Sell another 25% of your remaining equity investment, leaving that money in cash for now.
 3. Liquidate all equity investments.

My recommendation is to sell 25% of your remaining equity investment.

Why sell only 25%? 25% is a measured response to the increased level of risk, generated by investor anxiety.

I also recommend that any selling action be executed early next week, beginning on Monday, October 13. This delay will allow time for thoughtful consideration and for a breather from this week's market momentum.

This recommendation is not based upon the Financial Model data. In fact, the Model is suggesting that the actions being taken by the Fed and the Treasury are creating enough money supply in the system to allow the economy to continue to grow.

To make changes to your portfolio, you may reply to this email and/or call me to discuss your options. I can be reached at 505-797-1901. Iris can be reached at her office (direct line - 505-880-2705) or by her cell phone (505-220-0571). For those who are new to this process, please contact me with your instructions. I will not make changes without your approval.

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