

DANIEL A. OGDEN
ALISON B. PECK

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A Correction or Market Top?

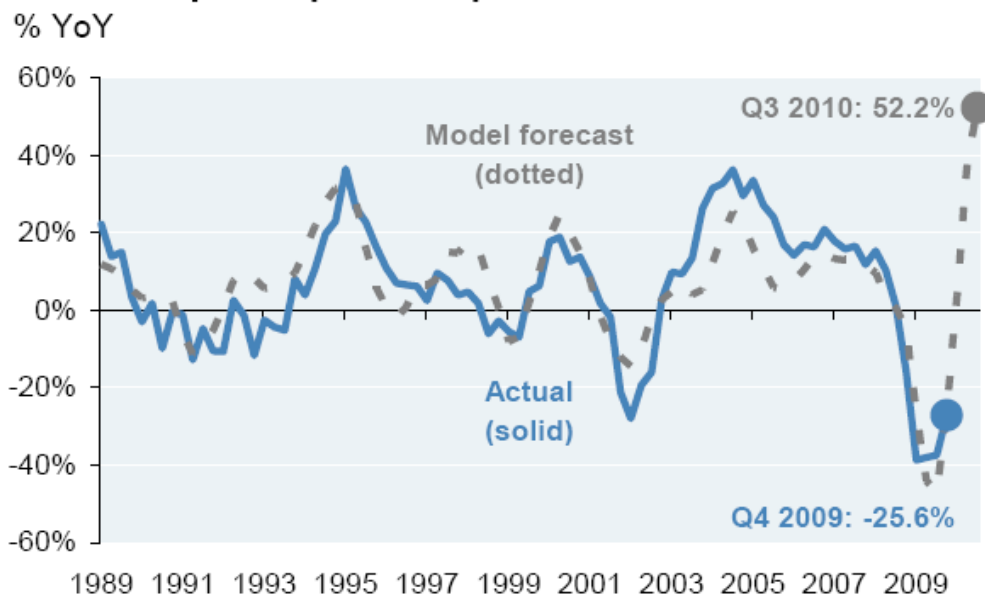
Too many trends support this market

January was a nasty month both for the market and our portfolios. While we raised cash throughout the month, our reasons did not include fear of a crash. The market has obviously entered a new phase and we think there will be some changes in which sectors work best. We plan to put the cash back in during February in our most promising ideas.

In the meantime what will support stock prices in 2010? First, profits are expected to increase for businesses around the world. The following chart comes from the ISI Group and illustrates what could happen if their corporate profit model works in 2010 as it has in the past.

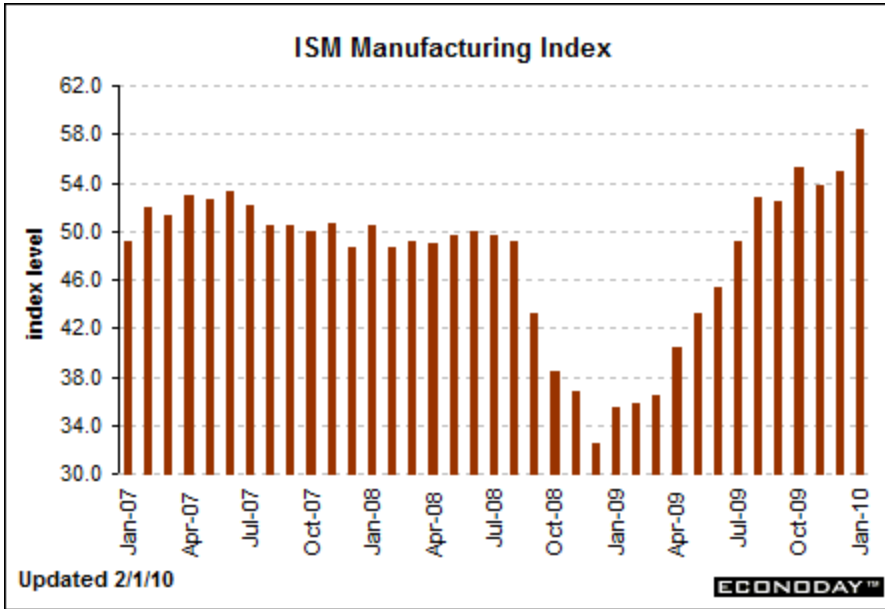
When potential profits are this strong investors should be in the stock market.

Global corporate profits expected to rise in 2010



The next chart illustrates how strong manufacturing could be in 2010. This comes from the Institute of Supply Management and the reading here indicates 5% growth in the overall economy.

The same survey revealed that manufacturers plan to start hiring this year. Let's hope so.



After a very strong 2009 it should not be surprising that investors cashed in some of their profits in January. As we have suggested lately, 2010 should be a good year for stocks, but not a great one.

To get beyond “good” stock investors need to be reassured about the health of our banks, tax decisions in Washington, and the general state of the world. That sounds like a tall order to us, so we’ll stick with our current guess regarding 2010.

A less enthusiastic market (compared to 2009) leads us to high quality businesses that can stand up to most economic environments. That’s where we’ll be headed with some of the cash raised in January.

Best regards,

Daniel A. Ogden

dogden@dockstreet.net