

DANIEL A. OGDEN
ALISON PECK

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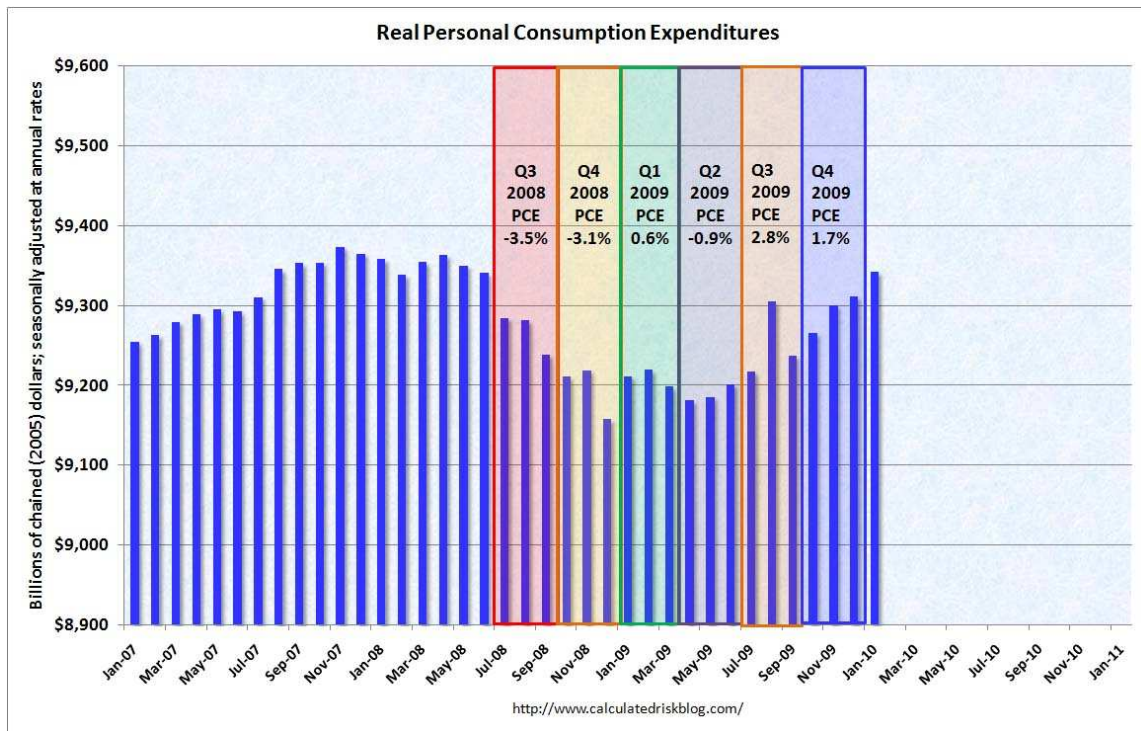
Investing for Recovery

Betting on a double-dip recession will prove to be a mistake

We continue to think that the economy is in a recovery mode, and while the news remains mixed, investors should be looking on the bright side---at least for the next 18 to 24 months.

High unemployment dominates the headlines and it should. An economy that cannot provide job growth is hardly serving the needs of the majority. However, as we have said before, recovery in activity and profits comes first, and then the jobs appear. If this were not true, the Great Depression, or any other recession, would never have ended.

Proof of improvement is not hard to find. Take a look at these two charts:





The first chart tells us that Personal Consumption (adjusted for inflation) is close to the peak levels of 2007. The January numbers on spending continue the up trend.

The second chart says we're making and moving a lot more stuff than we did a year ago. Counting truck loads is simple work and this is the kind of indicator we like---not subject to manipulation.

So buying and selling activity is rising, but hiring hasn't kicked in. The result? Soaring corporate profits.

While as citizens and fellow human beings, we want the hiring to commence, as investors we need to focus on profits. That's what drives stock prices and we see them going higher in the next few months and maybe years.

Investors remain skeptical and for that reason there remains plenty of potential in stock prices. We've begun the process of re-investing the cash we raised in the first weeks of the year. So far the process has been rewarding.

It is possible that the correction that began in January has run its course. For the first time in several years all the market tracking services we use are bullish about stocks. Just in the last few days the most cautious of these services posted an all-clear signal.

February was a very good month and repaired most of the damage we suffered in January. We know that instant gratification is hard to come by in the stock market, but we are optimistic about the market and our portfolios for the next 6 to 12 months.

Best regards,

Daniel A. Ogden
dogden@dockstreet.net

Alison Peck
apecck@dockstreet.net