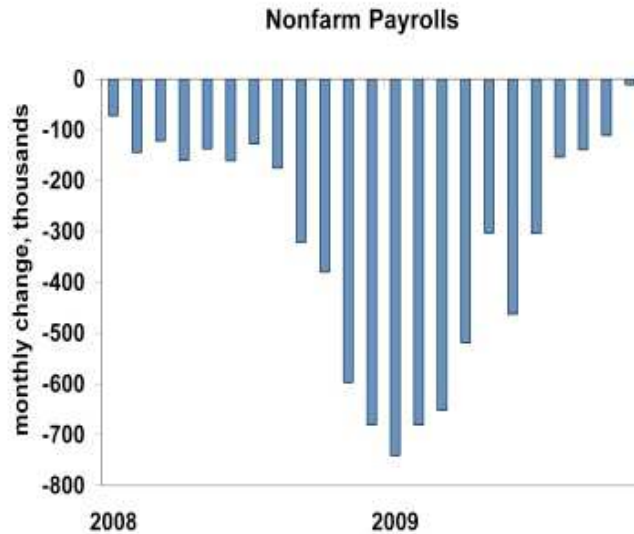


December 7, 2009

The Job Market Gets Better

A pleasant surprise for the economy, but not stocks

No one expected job losses to moderate the way they did since Labor Day. The November loss was 11,000 and both September and October were revised down by over 100,000. The chart below shows the V shaped recovery in payroll losses.



Stocks celebrated the news for about 30 minutes on Friday morning and since then have been meandering around Dow 10,400. The reasons for the ho-hum response are two-fold:

1. This news only confirms what the stock market was sensing throughout the year--- the economy was on the mend. As usual, the market anticipated the event and therefore failed to rally when the actual news hit.
2. As we mentioned a couple of weeks ago (What Keeps Us Up at Night) stock investors worry that Federal Reserve rate increases will kill off the bull market. Signs of better than expected growth increase those fears.

We seem to be in a transition stage for stocks: the initial recovery period driven by floods of cash from the Fed is ending and an earnings driven market is just beginning. Things should bounce around some as this transition takes place.

We plan to make some changes in the portfolio around the end of year, making sure we have investments that can deliver earnings growth in 2010.

Best regards,

Daniel A. Ogden