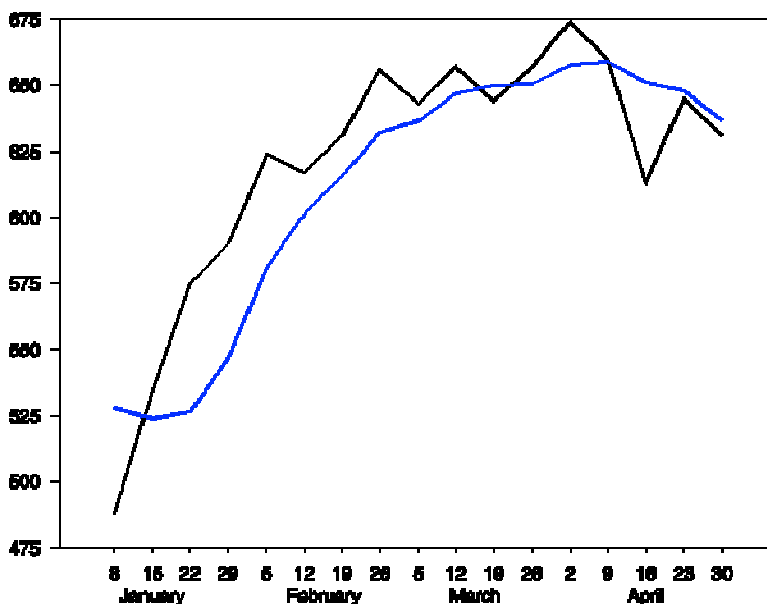


Less Bad is Good Enough

The economic news continues to be bad, but the stock market goes to new recovery highs---how is this possible? Until early March investors believed that an economic recovery was impossible until well into 2010. Since then the news on the economy has become "less bad" and the potential for growth in the second half of 2009 has increased.

The following chart is an example: it shows the Initial Unemployment Claims for 2009. The numbers still stink, but the 4 week moving average has fallen for the last three weeks. In past recessions changes of this magnitude have signaled the end of a recession about 50% of the time.

These slight improvements, and others, are suggesting that this recession is more "normal" than was thought just 6 weeks ago.



This week's first quarter GDP report, while just as bad as the quarter before, contained some positive surprises. First, consumer spending increased at twice the rate expected and second, inventories continued to fall. Businesses are operating with empty warehouses so if consumers continue to spend as they did this quarter, production will need to increase before the end of the year.

All these improving numbers could roll over and get worse again---there's no certainty to any of this. But the stock market is telling us that the odds of a recovery in 2009 have increased.

DOCK STREET ASSET MANAGEMENT

We continue to think the short-term prospects for the market are shaky, but the economic news from here and the Far East lead us to believe that 2009 could be a good year for investors.

I will be attending the annual meeting of Berkshire Hathaway this weekend---my first in a couple of years. A change in format this year promises to improve the quality of the questions---more about Berkshire's businesses and less about the state of the world. The fact that Mr. Buffett has made some pretty big mistakes in the last 12 months should make this a memorable event.

Whatever we learn out there will be passed on to you either in the form of a meaty email or a good idea or two in your portfolio.

Best Regards,



Daniel A. Ogden

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