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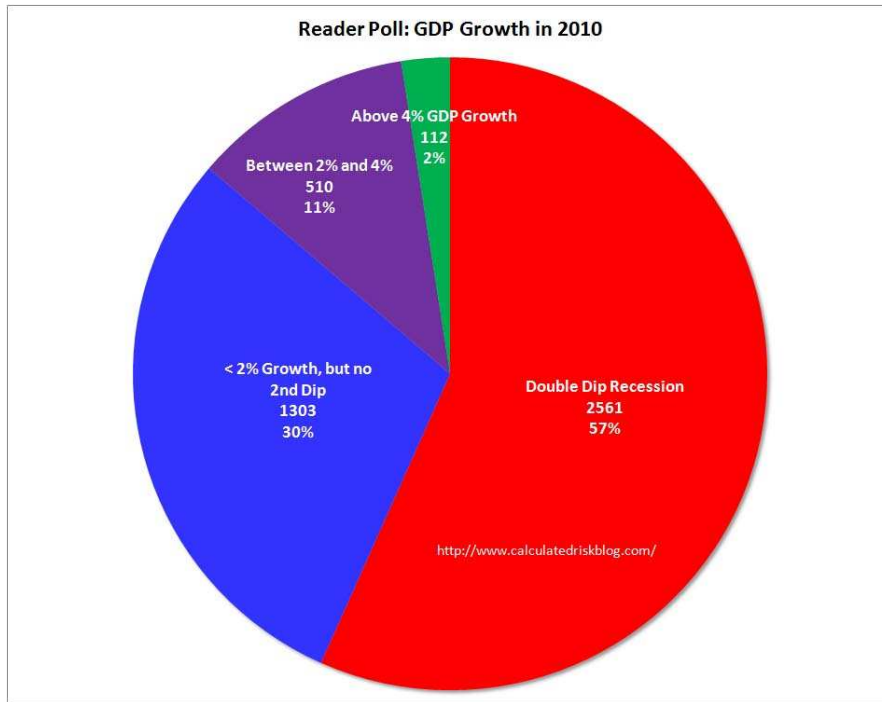
January 8, 2010

## Many investors remain skeptical about 2010

*We like what we see in 2010, but 2011 is another story*

Aside from employment, most economic indicators point to a strong recovery in growth for 2010. Despite the numbers, some of which we'll illustrate below, investors are remarkably negative about the prospects for 2010.

Take a look at this chart taken from a popular economics website. It's hardly scientific, and maybe this bunch is unusually pessimistic, but the results of this poll fit with what we hear from clients and other contacts.

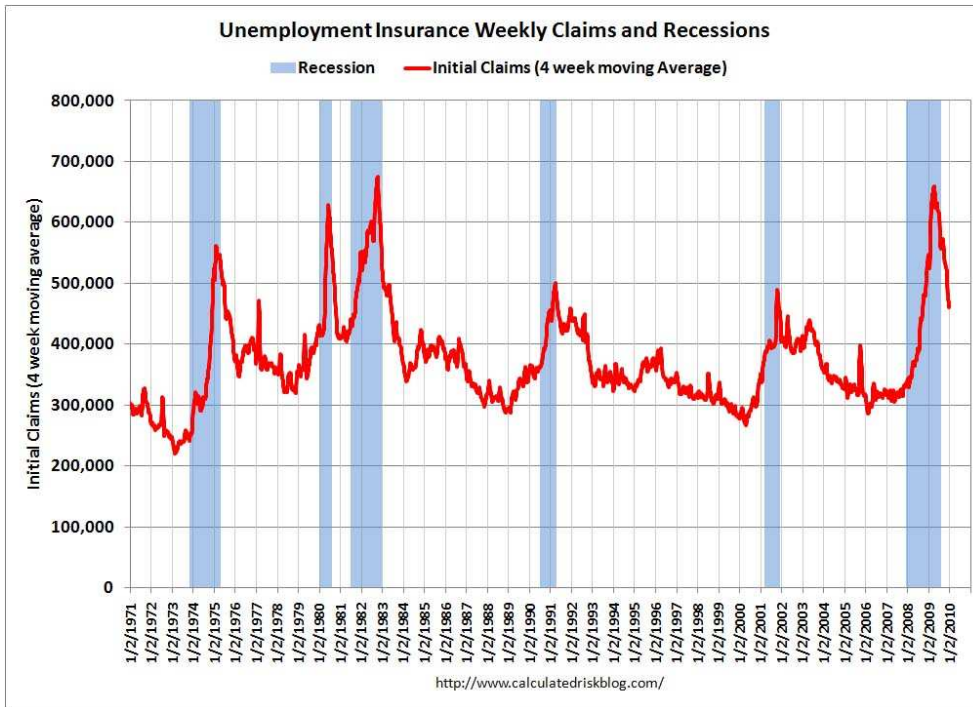


Only 2% in the survey expect growth in 2010 to be higher than 4% and a clear majority is betting on a double dip recession.

As we have said before, we think the odds of a double-dip are low since the Fed shows no signs of raising interest rates and weak employment numbers actually make that move even less likely.

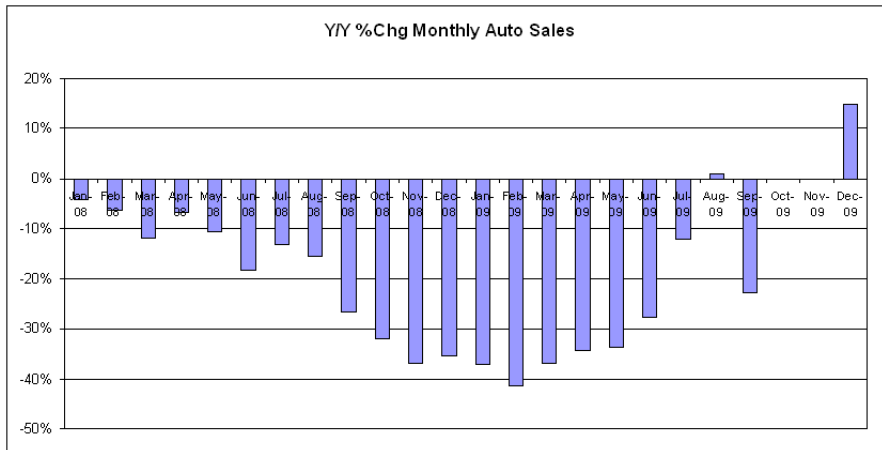
We think 2010 could be a very strong year, but some of that strength will be highly artificial. Before going into that, let's look at some of the numbers that support our belief in a stronger than expected 2010.

Unemployment claims continue to fall as illustrated here:



History says that job losses will continue until the claims number gets under 400,000, but the trend is clear and this recession is ending in a way that is similar to the other deep recessions on this chart.

Then there are auto sales:



December was much stronger for autos than expected, and while the numbers are still weak compared with two years ago, this chart tells us that the worst is over.

In Asia and some of Latin America the growth signs are even stronger. We will continue to invest on the assumption that this recovery is for real---at least for the next few months.

But why will 2010 growth have an artificial component? Every businessman knows that taxes will increase in 2011. Even if Congress fails to pass the many proposals that would increase taxes, the Bush tax cuts will expire in 2011.

Any tax payer with the ability to accelerate activity into 2010 will do so, making 2010 growth stronger than expected, but also temporary.

All this suggests a very strong stock market in the first half of 2010. Investors may be surprised at the strength of the economy and just like this first week of the year, be forced to chase stocks.

However, at some point toward the middle of the year the market will begin to look forward to 2011 and investors may not like what they see. Unless tax policy changes significantly before spring we will view this potential stock market strength as an opportunity to lock in profits.

This guess-work applies mostly to US companies. Tax rates in Asia are actually falling and trade restrictions have been removed throughout the region. There may be opportunities in those markets because of these positive policy decisions when compared to the US and Europe.

So 2010 will be a tricky year for all investors, including us. We see the potential for gains in our portfolios, but longer term the uncertainty increases.

Best regards,



Daniel A. Ogden