Twelve for 2012

The Global Financial Meltdown continues to add uncertainty to the market. In our opinion, the S&P 500 in 2012 will be in a channel of 1000 – 1300. The following economic factors are contributing to this forecast. During uncertain times protection of your hard earned money is paramount, yet there will be pockets of opportunity for upside appreciation. For more information on our strategy, please download our presentation or give us a call.

1. US GDP – for 2011 is less than 2% annualized. Normal growth is indicative of 3-3.5%. 2012 appears to be shaping up for less than 2% annualized and quite possibly one or two negative quarters.

2. Real Estate – continues to be a major drag on the economy. Approximately 3-4 million foreclosed units are not on the market for resale at this point in time. Prices continue to decrease on a year over year (YOY) basis. Banks continue to accelerate their foreclosure process which could "dump" more units on the market and therefore contribute to depressing prices even further.

3. Unemployment/Underemployment – continues to remain 9% and 16%+ respectively. Any significant economic recovery is difficult at best with these high percentages.

4. Lack of Demand - Without an increasing demand for goods and services the economy is severely limited for any future growth.

5. The US Debt/Deficit – continues to strangle or choke off any meaningful stimulus and limits options at its disposal for future stimulus. A 'healthy' debt to GDP and deficit to GDP, in our opinion, should be roughly 25-50% and less than 3% respectively. The US public & private debt ratio is approximately 100% with an 8-9% deficit/GDP rate and is growing.

6. Headwinds – continue to weigh heavily on any meaningful recovery. The next headwind will be the super committee's findings for debt/deficit reductions.

7. We anticipate more "Super Committees" as the US will need to continue to address the deficit issue. If automatic cuts are initiated, polarization of the US will continue as groups will begin protesting as their agency or entitlement is cut.

8. Europe will continue to be a day to day soap opera. Greece and Italy are changing hands, Spain has yet to be addressed and France and Germany could be next. French banks are in serious trouble and we could see a major bank in France go down.

9. US Corporations Revenues & Earnings- increases are slowing at a rapid rate. This will in turn limit hiring or at worst create more layoffs.

10. Interest Rates – are falling which is an indication of future slowing of economic conditions.

11. Income Earnings of employees are stalling which will lead to less demand for goods and services, further limiting hiring of new employees.

12. Simply Put: A drop in sales leads to lower production which results in declining employment and income, which in turns weakens sales further and spreads from industry to industry, region to region and economic indicators to indicators. **It's that simple!**