

What a Difference a Year Makes

About halfway through 2000, there was the endless optimism towards technology and the market. All that was heard were the quotes, "Buy the dips", "This is the New Paradigm", and "Hail the New Economy". As Alfred E. Newman of *Mad Magazine* once said, "What me, worry?" Well, that was then and this is now.

Here we are one year later and the doom and gloom is thicker than the London fog. No more new paradigms or new economies! Now the questions are: When will the economy and capital spending turn around? Will the recently passed tax cuts have any meaningful impact? How much more will the FED cut rates?

We, at Abbot Financial, continue to be quite optimistic for an economic turnaround. In addition, we expect both stocks and bonds to benefit from this turnaround, especially stocks. It is very rare that we have the confluence of monetary and fiscal policy come together to work for us. This always boosts the economy and investments. When will this happen exactly? Nobody knows the precise timing of the swing in the economy, but historically it is about 6 to 9 months from the first rate cut. Keep in mind, there will be no bell that rings to announce a recovery.

We believe that whenever the markets do start to respond to the aforementioned factors, the emphasis will be on stocks of companies offering Value, Growth, and perhaps some Income. The fundamental principles of Graham and Dodd, which appeared obsolete a year ago, will ring true once again.

Thus, we at Abbot Financial remain bullish over the long term based upon these positive factors, namely expansionary monetary and fiscal policy. These may be referred to as OLD PARADIGM TECHNIQUES, but in the end their impact is still important.

Here is the market scoreboard for the first half of 2001:

DJIA:	-2.64%
NASDAQ	-12.55%
S&P 500	-7.26%

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