

## Three and Out?

No term sounds better to a football team when the opposition has the ball, and with three straight years of bone-crunching losses behind them, investors are hoping it's "three and out" for the bear market. In perfect hindsight, the wringing out of the excesses of the 90's took much longer than most anticipated. Technology and telecommunications were hit first, and in the latter stages of the long decline even the usually dependable blue chips, utilities and pharmaceuticals suffered.

It is often said that the stock market climbs a wall of worry. As we begin 2003, thirty minutes of watching the national evening news reveals that there is no dearth of things to fret about. In many cases these negatives have overshadowed what good news there is to share. A positive view is that the economy is staging a modest recovery, inflation is almost non-existent, interest rates are at 40-year lows, and tax reform is in the works. A negative view might be that the recovery is a jobless one, inflation is low because of a lack of pricing power, and interest rates have no place to go but up. It's all in the eyes of the beholder.

As we enter our 20<sup>th</sup> anniversary year at Abbot Financial, the one thing that we are confident of is that at the end of the business day, it is fundamentals that count. Companies led by seasoned executives, that have innovative capabilities, that design, manufacture, sell and service goods used worldwide, or who provide needed services to consumers, will prosper in any economic recovery. They always have and they always will. One other attribute of these companies that we have always embraced is dividends, and from all appearances investors may well receive tax relief on cash dividends in the year ahead.

Is the bear ready to "punt"? Only time will tell, but we suspect that he must be nervous over the many compelling stock valuations as well as the enormous amount of cash and cash equivalents waiting on the sidelines. When the bulls do get the ball, the early gains are usually the sharpest, and those who have invested in quality companies will reap the benefits.

As always, we will continue to position portfolios for the future. Here is the scoreboard for 2002:

<b>DJIA</b>	<b>-16.8 %</b>
<b>NASDAQ</b>	<b>-31.5 %</b>
<b>S&amp;P 500</b>	<b>-23.4 %</b>

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