

That's More Like It!

Finally, we experienced a period for investors that brought satisfaction from owning equities. We have seen broad gains for all of the major indices in the past four months, with the S&P 500 up almost 17% over that time. As pointed out in our year-end 2002 newsletter titled **Three and Out?**, the early gains in any market recovery are usually the sharpest, and this surge has proven that true once again.

Thirteen consecutive interest rate cuts by the Federal Reserve Board have kept the mortgage re-financing boom in high gear through June. However, July saw interest rates on treasuries move higher with a corresponding move up in home mortgage rates. In the last week of July, applications for refinancing of home mortgages were down over 24%. The \$64,000 question is, will this market advance continue, and for how long? The recently passed tax cuts that lower tax brackets and provide incentives to investors will certainly help. Retroactive to January 1, 2003, dividends and capital gains will now be taxed at a maximum rate of 15%.

This confluence of fiscal and monetary policy is unparalleled in the past five decades. We firmly believe that a recovering economy will eventually lead to higher corporate profits, which in turn will lead to higher stock prices over the next couple of years.

Over the past few years, *Abbot* has endeavored to provide a higher level of service to our clients through a variety of internal enhancements. We believe we have solidly positioned the firm to provide quality asset management to individuals, trusts, retirement plans and charitable foundations. It goes without saying we appreciate your support over this trying period.

If you are aware of any individuals or entities that are in need of asset management services, we would appreciate an opportunity to meet with them and tell them of *Abbot's* capabilities.

Here is the second quarter scoreboard:

YTD 6/30/03

DJIA	+ 7.7 %
NASDAQ	+21.5 %
S&P 500	+10.8 %

Bill Novelline

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August 1, 2003

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