

Year What a Difference a Decade Makes

We admit to no deep thinking when titling the 2008 year end piece, we just took last year's title and made a timeframe change. By any measure, 2008 was another decade of pain crammed into twelve short months. Our last year's allusion that the mid-decade residential real estate boom was a bubble seems, with the benefit of hindsight, an understatement. The investment darlings of 2007, energy and basic materials, became the dogs of 2008 as robust demand from emerging economies dried up and sent commodity prices into a downward spiral. The term "too big to fail" gained definition this year; Lehman Brothers wasn't, and Citigroup is. Speaking of big, as we enter 2009, the "big three" are on the verge of motoring off into history as demand for cars, even in the face of much lower gas prices, has collapsed. The long lines at Starbucks waiting for a double latte has shifted over to the fed's discount window as executives queue up trying to get a loan to keep their companies afloat. Of all the beginning of year projections, no one forecast the US Treasury to become the buyer of last resort. Certainly, we did not. For investors in the stock market, 2008 was easily the most difficult since the 1930's.

The reasons for the country's economic woes are many; we read and hear about them every day. The clutter that results from so many opinions about what to do, expressed by so many commentators, some qualified and some not, often serves to distract and confuse investors. With all the conflicting opinions, maintaining a steady course with the ultimate goal of long-term gains is difficult. In times like these even the most determined investor can lose, even if only temporarily, his or her commitment to achieving their financial goals. At *Abbot Financial Management* we are deeply committed, no matter what current market conditions are, to helping our clients attain those goals. This commitment applies to bear markets such as the one we are all now experiencing. We fully recognize and understand that while investor's confidence in the financial markets may be shaken, history shows that those who abandon long established value-oriented plans are those who do not participate in recoveries. Always know that our counsel is never more than a phone call away.

Despite the travails of 2008, our optimism for the stock market in the New Year has not diminished. In fact, with stock prices at current levels we believe that valuations, when based on future earnings potential, present many compelling opportunities. At year's end the 10 year US Treasury note yielded 2.25% and short term T-bills had little if any yield at all. Investors rushed to buy treasury's as a safe haven as the stock market declined, opting to guarantee the return *of* their money over the return *on* their money. If history is any guide (and we think it is) it is only a matter of time until this money that is earning very little, will be deployed elsewhere. At month's end there will be a new resident at 1600 Pennsylvania Avenue. Politics aside, the incoming administration has sent strong signals that they will take all steps necessary to revive the flagging economy. Without question the Federal Reserve Board "get's it". Interest rates have been brought down to levels that will allow credit worthy buyer's access to the moribund residential housing market, the root cause of our current problems. But, and there usually is a but, timing is the issue. No one rings a bell at market bottoms and says to get in. So, to plagiarize one more sentence from last year's newsletter, we will "stick to the basics and be there when the game begins".

Year End Scoreboard 2008

Dow Jones:	-33.8%
S&P 500:	-38.5%
Nasdaq:	-40.5%

Bill, Andrew, Bob, and Chris wish each of you and your family a healthy and prosperous new year, and we look forward to speaking with each of you in the near future.