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## **At Least It Ain't As Bad As What Happened To Boston**

So what's going on here with these equity markets?

Investors are concerned about: Greece; the Euro; the ability of the EU to carry out strict spending curbs when European governments have supported state-sponsored social welfare programs for 60 years; Asian markets at 10 month lows; sovereign debt worldwide and our country's debt in particular; the financial regulation overhaul and how it will play out; BP and the Gulf oil disaster; the so-called thieves on Wall Street; flash trading and 1,000 point 15 minute drops; computerized program trading which permits millions of shares to be traded in milliseconds in dark pool exchanges .... The list goes on and on.

Before Montreal, the Flyers played Boston. You may remember that in that seven game series the Flyers had to come back from a 3-0 game deficit and then were down three goals in that final game in Boston before they roared back to win. I'm inclined to say about the market's recent swoon, "Well, at least it's not as bad as what happened to the Bruins."

Question: What's down more than 6% for the week, more than 3% for the year, but UP more than 20% in the last twelve months? If you guessed the public's confidence in Washington, you'd be wrong. If you said the public's investment in the broad US stock market you'd be right.

Look, for every bull market there is a 10% plus downward correction. We're there now, with the correction being mid-teens. In mid-year elections when corrections show up, the historic trend is that they average 20%. If that holds true in 2010, then we've got a bit more to fall from here.

However, our economy continues to heal. Manufacturing numbers are improving. Jobs are returning to the work force. The Wild West which was Wall Street is being tamed.

Thirty year mortgage rates are at all-time lows. Earnings expectations as well as the earnings themselves are extremely strong. Companies are profitable again.

The yield curve in the bond market is steep (a very good sign). Just today we learned that our consumer confidence for May is at its highest monthly level since 2008.

And, at last, our political class is starting to focus on getting control of both our deficit and our debt. Just yesterday President Obama sent a bill to Congress which would permit him to line out earmarks. A bipartisan committee, headed by former Republican Senator Alan Simpson of Wyoming and former Clinton Chief of Staff Erskine Bowles will propose long term solutions to these matters come this December. I know Mr. Bowles personally and he's no flamer.

So, on balance, are you an optimist or a pessimist? Me, I'm still an optimist. The S&P 500 index is at 1055 as my fingers peck away today. I see high 1100s by year end. Maybe more. Remember if I get it right, you heard it here.

Look at what the Flyers have done!

Keep the faith.

May 25, 2010