



## Points of Interest

1. Nominal GDP in the first quarter totaled an estimated 14.2 trillion, only a 3% annual rate of increase from the final quarter of 2007.
2. Going forward, the main problem for the U.S. economy is likely to be protracted consumer spending.
3. From 2002 to 2007, home equity extraction as determined by Freddie Mac averaged \$51.5 billion per quarter up from \$5.8 billion in the 1990s. This represents 2.4% of real personal consumption expenditures compared to an average of .4% in the 1980s to 1990s. In other words, America is taking on average a substantial increase of our home equity out for personal consumption.
4. Over the last 12 months, the CPI increased by 4.1%, well above the 2.8% average of this past decade.
5. The recent USA Today Gallup poll showed 59% of those surveyed stated, they believe we are facing a modern-day Depression!
6. The recent BLS employment survey showed a net loss of 80,000 jobs in March, following revised losses of 76,000, both in February and January, a substantial increase in jobless rate.
7. Fed chairman Bernanke made the statement, "The economy may be contracting slightly in the first half of the year." If I borrow a quote from my son, "

## Current Events and Key Indicators

We are probably in a recession, and now, most have come to agree with this.

Taking some points from our last e-mail, we have learned that the typical bear market, since World War II, has averaged approximately 16 months. The current cycle seems to have begun in the late summer or fall of 2007 where the peak to trough of the S&P was approximately 20%. The average peak to trough of prior bear cycles ranges 22% to 30%. Thus, if the 2007, 2008 bear market did end this summer or fall, the magnitude and certainly the duration will be a little less than the typical but certainly not unprecedented. History shows the stock market turns up (and bear markets typically end) in the midst of a recession. If, as our analysts believe, the recession started 3 quarters ago, it is now over six months old. Perhaps halfway over? Historically, this is about the time new bull markets get under way.

## Impact on our Portfolio Allocation

The disciplines of the major trend index of our top analysts suggest increased equity exposure and are now at least entertaining the possibility that we will continue moving into positive territory on the major indexes, indicating that the market cycle may be coming full circle. The price of oil and commodities in general could continue to cause a drag on the economy if prices continue their current trend; however, we feel we may have seen the bottom in the equity markets. Market sentiment is near all time lows and from a contrarian standpoint, this represents opportunity.

With respect to your portfolios, we are maintaining our current target allocations, with an emphasis on Large Cap over Small and Mid, specifically taking advantage of the opportunity in Large Cap Value where the financials represent a sizeable weighting. We are also emphasizing the Alternative asset class to reduce market correlation if in fact we do happen to retest the lows. International is an asset class we continue to have full allocations, but have been looking to reduce over-weight positions due to the great run we have seen over the last several years.

Within Fixed Income, we are seeing opportunity in some categories due to the current credit crisis. Specific categories are High Yield Muni for taxable accounts and Floating Rate funds for both taxable and non-taxable accounts.

One additional item to note regarding portfolios; for those of you who hold William Blair International Growth Fund, we made a share class exchange in April which will show up in your monthly statements as a sale of WBIGX and purchase of BIGIX. This was a non-taxable event and your cost basis and original purchase date will carry over to the new share class. Schwab will be suppressing 1099s on the transaction so it is not reportable on your '08 taxes.

\*Sources - Evergreen Capital, Hoisington, and Leuthold

## What's New at Triad?

- On a personal note, Larry and his wife are celebrating their 25th Wedding Anniversary and will be traveling in Greece from May 17th to June 1st.
- Our website is now complete! Check us out at [www.TriadW.com](http://www.TriadW.com). For your personal account sign-in instructions, please call our office and ask for Jennifer.
- Next time you call or stop by, please welcome our new Administrative Assistant, Keisha Harvey. We are excited to have her as part of our team!



***As always if there is anything needed our team is available for your assistance.***

— **Larry & Dan**