



MEMO

Date: 1/28/08
From: Jonathan D. Weir, JD*
To: WFR Clients and Friends
Subject: 2008 Rocky Market Start

Equity prices are off to a rocky start in 2008. Various media outlets have reported falling stock markets and predictions of a recession in the U.S. economy. As your advisor, I believe it is not only my job to manage money and financial goals but, just as important, to provide perspective during unsettling times.

Recession

Of course, it is important to understand first what constitutes a recession before contemplating changes to a portfolio because of one. A recession is defined as a decline in the gross domestic product (GDP), or negative real economic growth for two or more successive quarters. Because of this time lag, it is quite possible that even if a recession is here, it might not be officially declared until sometime *after* it is over. Such is the inexact science of economists.

It is also important to remember even if there is a recession, they are not uncommon. In fact, since 1969 there have been six recessions in the United States, or about one every six years. While all recessions and market responses are different, in many cases equities began to fall well before a recession began. In two of the six, the equity market did not fall at all.

Equity Markets

Stories about “plunging” stock markets have been regularly reported in the media. Again, some perspective is in order. While disconcerting, the declines have been largely orderly and not out of line with historic volatility. Over the years, there have been several events like terrorist attacks, wars, market bubbles and other events that did not result in the “worst case scenario.” The equity markets are amazingly resilient over time.

Conclusions

We know that these declines are unnerving even to disciplined investors and we are continuing to monitor these movements. While it is possible that the situation could get worse before it gets better, we are encouraged by active responses from the Federal Reserve and other entities. Most important, we will monitor these movements as they affect your portfolio and would be happy to discuss this further. Please feel free to contact me if you have any questions or concerns.

Sources used: Standard & Poors, Wall St Journal

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