



LENK LADNER
Investment Solutions

MARKET COMMENTARY

July 27, 2012

Dow Jones Industrial Avg.	12,880.09	Standard and Poor's 500	1,362.16
2012(YTD) +5.4	2 nd Qtr. -2.5%	2012(YTD) +8.3%	2 nd Qtr. -3.3%

“Don’t ask what your country can do for you, ask what you can do for your country.”
John F. Kennedy, 35th President of the United States

Overview- A New Contender - Prepare yourself for a little tongue-in-cheek fun. You may even want to try this exercise yourself.

I can’t believe it! I have been nominated by the Bull Moose Party to run for the office of President of the United States. What an honor! As you will recall from your United States history course in high school, Teddy Roosevelt ran under this same banner exactly 100 years ago. I expect to succeed where he failed because neither of my opponents has a compelling message. Both Barack and Mitt are expected to raise somewhere in the neighborhood of a billion dollars, so they will both be able to do more advertising than I will. Accordingly, I will be conducting a low profile, grass roots campaign, which (hold on to your hats!) addresses the issues.

Before I provide my party’s platform, I think it wise to set the stage by providing some insight into each party’s vision by revisiting their slogans. First there is Barack’s uninspiring, “Forward”. His advisors undoubtedly reminded him that the Bull Moose Party was started by Robert La Follette, a well known progressive of a century ago. Although my message contains few progressive notes, his slogan appears to be an obvious attempt to siphon off some of my supporters. Mitt’s slogan, “Believe in America”, has possibilities. However thus far he has failed to effectively communicate to voters what or why they should believe in him. If he can’t show more passion, he had better select a running mate who can. On the other hand, our President’s message is tired and threadbare. Does he still believe he’s gaining support by blaming Bush or repeating “ad nauseum” his manta of “Tax the rich”? Is it any wonder they are running neck and neck given the failure of either’s rhetoric to fire up the public’s enthusiasm? My two opponents are spending so much time, energy and dollars berating each other rather than addressing the issues confronting the country, they are leaving the door wide open for a dark horse like me.

Many older voters will immediately identify my slogan, “**Stop, Look, and Listen -The Recovery Starts Now**”. The first phrase is the direction we, as children, were to follow when crossing a street. Now it means **Stop** profligate government spending, particularly in Washington, D.C. **Look** for opportunities to reduce government programs, even to the point of eliminating entire departments. **Listen** to the voters, especially the 52% who pay any income tax. The balance of the slogan promises immediate steps will be taken to initiate a recovery. If citizens are expected to live within their means, so should politicians. Once the bleeding in our federal budget is contained by curbing the spending, I will propose a drastic simplification of our tax laws. The new tax code will be designed to eliminate loopholes, exemptions, and credits, yet retain progressivity. A primary goal is to sharply curtail the benefits accruing to special interests. In order to regain our fiscal balance we will need both spending cuts and revenue increases if we ever hope to see this country thrive again. Both aspects will be phased in during my first and only term. I am going to work to institute change, not to get re-elected.

I will not sign any legislation if it is not fully funded. My preference is to accomplish this by reducing spending in existing programs.

The “We have to pass it, so we know what’s in it” approach will guarantee a veto. A comprehensive national energy policy will be another early initiative. It is only 30 or 40 years overdue. Healthcare will be reviewed, revised, and reduced. The Affordable Care Act must be affordable for the taxpayers as well as patients. Now it is not. Finally, and perhaps most important of all, is the dismantling of the layers of regulatory burden and the bureaucratic maze, only then will private job creation be able to flourish. This is my short list. I will appreciate your vote.” What do you perceive to be the most pressing problems? What are your recommended solutions? I welcome your feedback by e-mail or phone. Can I interest you in a bumper sticker?

Investment Views - Turning to our financial tangle, the stock market continues to struggle as the economy sputters. Unemployment remains stubbornly high and consumer confidence has recently begun to retreat. Corporations have started to experience the pain as well, as revenue growth shows signs of flattening out. Profit growth may falter before year end. A solution to Europe’s widespread financial woes continues to evade that region’s leaders, and China’s economy has slowed much more than expected. U.S. multinational companies are reducing their expectations for these important markets.

In light of the myriad of challenges confronting the stock market, a cautious approach remains the suggested course. Corporate earnings held up better than expected this quarter. This morning a source reported roughly 70% of companies have beat expectations. Nevertheless, there is little doubt the momentum is slowing as many companies have projected slower revenue growth. A defensive stance is suggested for most investors. This entails keeping cash reserves at above average levels in order to enable purchases during periods of pronounced weakness. Recommended targets are larger, more stable companies with a good earnings record; rising dividends with at least a three percent yield; and with sound balance sheets. The recent market correction has resulted in a healthy increase in the number of eligible candidates.

It is fortunate investors have equities as an option for income because the fixed income market continues to be a desert -no yield anywhere. No relief is in sight either, as the Federal Reserve (i.e., FED) and Chairman Bernanke have given no sign they intend to cease their efforts to stimulate the economy through their aggressive easing efforts. Borrowers are winners (if they can convince banks to lend to them), but savers are definite losers. Just think of all the purchasing power of which savers, particularly retirees, have been deprived. In addition to the concerted efforts of the FED, the financial stresses gripping Europe have driven most dollar investments to record lows. No particular segment of the fixed income market justifies our recommendation at this time.

Odds and Ends – Each year at this time we are required to provide you a copy of our privacy statement, as are most other financial service organizations. We regard safeguarding the financial information you have shared with us as an integral part of our fiduciary responsibility to you. One piece of information we ask you to share with us, if you have not already is your e-mail address. Having it allows us to communicate more effectively with you either about general events in the financial world or your specific financial situation. Our email addresses are as follows: john@lenkladner.com, geoff@lenkladner.com, carie@lenkladner.com and connie@lenkladner.com. Enjoy the rest of your summer. JML