

January 2011

*Ave atque Vale*

Some of you remember your Latin. Some of you remember those old Kirk Douglas movies. Hail and Farewell, says the gladiator entering the ring. It's a stretch, but altogether now, let's say Farewell to 2010, not too deep a sigh there; and Hail to 2011, some hopeful enthusiasm. What do we hope for? A burgeoning economy with jobs aplenty? A serene and civilized polity? Hope is the "thing with feathers" (as Emily D. taught us)--but let's not get carried away here. Don't get me started on the political scene: ugly on the way to uglier. At the same time, we see some economic progress, and we are glad. We bought a lot of stuff when we were supposed to. Somewhat fewer folks filed for unemployment compensation.

So, will this hopeful bird fly?

The demons I have written about all year have not gone away, but a somewhat more confident consumer is browbeating them to good effect. The job market remains a thorn deep in the hide of us. About that subject, it's utterly essential that the politicians return to Washington with their game faces on. The stakes are very high and the voters' mood is not pretty. We want Washington to start working again. Some politicians understand this to the point where they might even act on it. While the national debt is a serious challenge, it is not yet beyond correction. Interest rates are inching upward. Inflation seems little more than a distant, even benign, cloud on the horizon.

The markets, then, are positioned to continue their gradual ascent. With the exception of some items—cotton, for example, and precious metals, which soared to extraordinary heights over the last few months—the remainder appear rational and credible. Some analysts worry that the rise has little basis in the economy, that it's driven chiefly by the trading itself. On the other hand, inventories need re-stocking now, and some of that is happening. Share prices will continue upward as and if the economy returns, with deliberate speed, to better health.

The first half of the year preceding the presidential election year usually sees some important economic plan-making. The White House desire is that economic decisions made now shall bear fruit during next year ahead of the elections. The other party, of course, has no political reason to acquiesce. I agree with you: measurable stupidity within such a system. Still, that's what they do, and at least we are into the decision phase now. The bird of hope may get some wind under its wings.

Housekeeping items: as usual, with the year-end statement I include a list of your realized gains and losses for taxable accounts. It is a colored piece of paper and should be kept with your other tax records to go to your accountant for preparing your 2010 taxes. If you have any questions about the information on this form, or if there are cost numbers you think may be incorrect, please contact me. If you have requested it, I send the information directly to your accountant by e-mail during January. If you have changed accountants since last year, please inform me.. If I have not made this direct mailing for you in the past, I would be happy to start doing it. Just give me a call or send an email with your accountant's contact information. And of course, from my house to your house, best wishes for a happy new year.