

The Tonge Telegraph

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Steady As She Goes

There is no particular good or bad news to report this month. Markets are steady, corporate earnings continue to increase, the political landscape is unsurprising. Terrorist incidents and Iraqi insurgencies are disturbing but seemingly not disruptive beyond the moment. Oil prices move around a lot and will continue to be a big influence on the prospects for world economies. Fortunately, both sides of the oil contract understand the importance of this commodity to economic and political stability around the world.

We're not without things to worry about, but the balance currently is acceptable. On the positive side: we have reasonable inflation at 2 - 2 1/2 percent; corporate earnings as a percent of gross domestic product are as high as at any time since World War II; and we're approaching that phase in the technology environment, particularly in Europe, when replacements of information technology need to be made. The negatives are well known and include: interest rate increases both immediate and in prospect, oil price volatility, trade deficit, domestic deficit and jobs deficit. Again, there is nothing here that we do not recognize and nothing for which we do not have the tools or knowledge to address. With the exception of unpredictable terrorist events, the world appears to be on a reasonably even keel.

The markets are generally in a trading range. They are fairly valued for the most part, and new movements either up or down should coincide with material events. We're once again approaching the seasonal doldrums. As I have noted previously, many people on Wall Street head for vacation now, and there are simply fewer people around to make things happen. Most Wall Street firms just hope to keep the office running smoothly over the summer months.

We are seeing some interesting activity on the merger side. Companies are making long-range plans that include mergers and investment. Clearly, corporate leaders feel a little better about their cash flows and the prospects for the future. They're beginning to spend money again and take chances to better position themselves. In addition, corporate boards are recognizing the value of dividends to investors. Many companies have increased the dividend payouts this year and others have started to pay a dividend for the first time.

The warm weather is finally here and I hope everyone enjoys the few months we have of this wonderful season. Once again I will be spending my weekends and summer vacation sailing along the coast of Maine. I always enjoy taking people out, so I encourage you to contact me if you would like to spend a day on the water. Maine is one of the premier cruising areas of the world. If you're on board with me, I'll do my best to see that it's smooth sailing.