

The Tonge Telegraph

December 2007

Season to be Jolly?

November frazzled us. We had days exceeding 300-point moves in the Dow Average in each direction and several days in the 200-point range. The month started on the down side after more bad news emerged on subprime mortgage losses. (This problem is not going away without some major intervention, which a number of folks are studying just now . . . see below.) As bank losses deepened, the market plunged until we were down 10% from the market top, the technical definition of a correction. Since everybody knows that, the buying started. The next three days saw the Dow gain the most it had since 2001. The net result was a minus 4% for the month.

Along the way, there were several notable events. A Saudi group invested 7.5 billion dollars in Citicorp to shore it up from subprime losses. Reports on the doubling of the number of foreclosure filings preceded speeches by both the vice chairman and the chairman of the Federal Reserve, hinting at another rate cut at the next meeting. (This would likely be a quarter- or half-point cut.) What's more, Treasury Secretary Paulson revealed plans to work with banks and mortgage lenders to freeze adjustable rate loans so the rates will not increase as planned over the next two years. The hope here is to mitigate the next giant increase in home foreclosures. In the middle of all this, oil flirted with \$100 per barrel due to a pipeline disruption and other factors.

So, instead of having clear sailing in November, after escaping the usually treacherous October, we had rough seas and a somewhat more audible murmuring of the R word. As tools against a recession, interest rates are high enough to provide the Fed with room to maneuver. And because the dollar is weak relative to many other currencies, exports are doing very well.

I have been reviewing the realized gains and losses in taxable accounts for the year. I will be making any adjustments I can to minimize the gains before year's end. It is important that you contact me if there were taxable events I don't already know about. I can work with your accountant to see what steps might be taken to lessen the blow at tax time. We plan to mail the 2007 gain and loss report with the portfolio statement at the end of December. We like to mail this report directly to your accountant early in January. Please check in with my assistant Brenda to be sure we have the correct information about your tax person so we get this information to the right place.

And now I want to extend warm greetings and best wishes to you and your families. Yes-to answer the question in the title-let's be jolly. This holiday season is always a good time to step back for a few moments and reflect on the richness we enjoy. We have much to be thankful for.