



**February 10, 2009**

Economic recovery was the theme bigtime today. Let us summarize and offer perspective.

As a follow-up to President Obama's first primetime press conference last night highlighting the urgency of swift action needed to jumpstart the reeling economy, the Senate passed the stimulus package with 61 votes. It needs to run through the House, which presents a tougher approval, before landing on the President's desk by the Feb 16 deadline.

Treasury Secretary Tim Geithner took the mic this morning to outline the gameplan for the second installment of TARP (\$350 Billion) as well as other necessary action to arrest the seizing economy. The Market rallied last week in anticipation of this event, and the question remained, what did the Market think of the plan? In short, not much.

Geithner presented himself as the "architect" of this new plan, one that was going to be decisive, transparent, and highly sensitive to tax payers money. He called it the "Financial Stability Plan" or FSP (the plan formerly known as TARP), where all government agencies will be working in tune to address the crisis. It was short on details, but the Treasury Secretary acknowledged the severity of the issues and the need to act fast. They plan to put the Financial industry under a "stress test" where all banks will be thoroughly examined.

An architect's job is to design the plans, and let the various contractors and construction workers execute. In this case, the architect is designing on the fly and is trying to assure everyone that the foundation will be reinforced and the re-building process will ensue to completion; ie return to financial stability. The one thing we do know is this architect has deep pockets and is determined to deliver. We also know that the party picking up the check, you and me tax payers, are getting antsy and losing confidence. We need more information to feel comfortable, but we also need to accept the timing restraint that the new architect has been on the job less than 15 days. His boss has held his new home office less than 21.

We obviously would have liked the Market to embrace the new plan, and rally into recovery. We still think this happens ultimately this year. Today's disappointment was directly attributed to the lack of clarity of the new strategy. The solution to our economic crisis is not easy, nor will it be quick. The most important point of this Financial Stability Plan is it will be comprehensive and it will embrace private investment, not just taxpayer money. We need to invest our way out of this mess, and we need to restore investor confidence. The government needs to shock the system back to functionality, and then the private sector needs to take over.

By: Michael G. Frazier