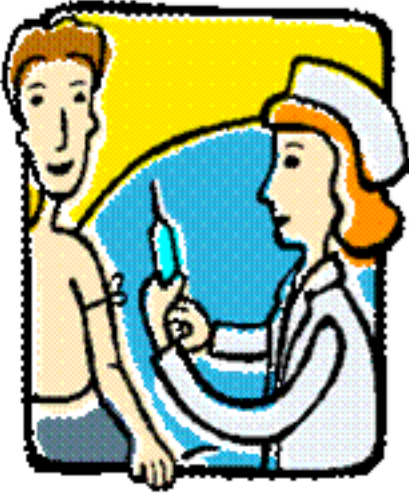


**Thank God It's Friday!**

**May 29, 2009**



And the beat goes on. The Market finished in the green again in May, which makes 3 consecutive monthly gains. That's the first time it's happened in nearly 2 years. It really puts in perspective the significance of this rally which began in March, and finished May with a bang.

3 months ago, our economy and financial infrastructure were on life support. The body was on the operating table in critical condition. Today, the patient has stabilized and is functioning again, but rehab will be a long and difficult process. The wounds inflicted the better part of the decade will not ALL heal quickly. Keep in mind, despite the historic Market surge, we the DOW and S&P remain 40% below their all-time highs of October 2007. It will likely only be months before we see the second stage of this road to recovery. We think this Market has another 15-20% upside ahead of it this year.

But the patient that is our Financial system (Stock Market, Economy, Banks), will undoubtedly experience some setbacks. Survival is assured, but constant monitoring and medicinal assistance is still required. That's the physical aspect. Psychology is equally fragile as confidence has been shaken to the core. Any sign of trouble will inherently hit some nerves and potentially cause some panic. That's understandable, but we need to embrace the fact that we are in much better shape now and progress is being made.

Monday is the deadline for General Motors to come to the table with a survival plan or face bankruptcy. GM has successfully made major concessions to cut costs, especially as it applies to excess brands, union liabilities and general overhead. It appears that a deal has been struck with bondholders, enhancing their compensation and status within the new GM. This is a significant event.

However, Bankruptcy still looks inevitable. What is expected is an expedited, controlled workout at the hands of the Federal Government to ensure the new company will be a lean and mean US auto manufacturing machine which will be the model for success and ingenuity for decades to come. Realistically, it won't be that easy. Ultimately we see a successful resolution to the US auto industry, but tax payers (you and me) will own nearly  $\frac{3}{4}$  of General Motors in the interim, and that's a bridge that needs to be short not long. In addition, the media will jam the headlines down our throat that the largest car company, and the backbone of American manufacturing is BANKRUPT. This will inevitably strike some emotions and rekindle fear of another collapse.

But remember, this was news last December not now. GM has been receiving treatment for 6 months now and has made great progress. The patient has a major checkup on Monday. By all accounts, our financial system is in much better shape now, but setbacks are inevitable. We are prepared for any setback and your portfolio reflects it.

By: Mike Frazier