



Randy L. Flink, Principal ❖ Christopher M. Gregory, Principal
Robert I. Kramer, M.D., Medical Advisor

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The following text is the prelude to a proprietary report issued to our private clients on July 25, 2008. If this tidbit whets your appetite for more, you will find instructions on how to obtain the report in its entirety.

BRIDGE OVER TROUBLED WATER

It is becoming readily apparent that what we are seeing in the investment world is not the garden variety sort of correction. In the US, economic fundamentals can be described as bad and getting worse. Many banks and investment firms are technically insolvent, not to mention automotive companies and airlines. These are household names. The Federal Reserve is trying to contain the rising flood waters via a massive deployment of sandbags. There are no guarantees of success. In fact, it can be said that the Fed is too late in its sandbagging operations. Their pronouncements from a year ago that the sub-prime mortgage problems were contained smacked of complacency. Either they truly did not know what was coming or did not want the American public to know. Regardless, it appears that the Fed eventually could run out of sandbags.

The most recent troubled waters are Fannie Mae (established 70 years ago) and Freddie Mac (established 40 years ago.) These agencies are the proverbial royalty that rule the residential housing industry. Queen Fannie and Prince Freddie collectively hold an estimated \$5 trillion in mortgages and are now in need of a Federal bailout. This leaves us wondering about the potential depth of the housing market problems and the potential cost to taxpayers. We are sure that we shall be reading about the underlying frauds at Fannie Mae and Freddie Mac for years to come.

A possible historical frame of reference for today's predicament is 1929-31. The economic problems that surfaced during this period became so pervasive that the US Government could only buy a certain amount of time before the rising waters breached their banks in 1930-31. After the infamous Wall Street Crash of late 1929, the public was assured repeatedly that everything soon would be back on track. In fact, the market staged a 50% snapback recovery in 1930 as many investors were infused with a sense of optimism. As a result, they took few precautions. From its post-Crash recovery high in 1930, the market dropped another 85% within the span of only 2 years.

Therefore, let us examine the present landscape and attempt to connect a few historical dots so that we might better understand the possible risks on the table. It is only then that we can intelligently pursue a course of financial self-preservation during what appears to be challenging times ahead.

*The balance of this proprietary report contains much more insight and analysis and concludes with recommendations. As previously mentioned, we stand ready to share the entire report with our faithful **DocOnomics** readers. If you would like to receive the report in its entirety, please click the e-mail link below and submit your request via a brief note.*