

BURKETT FINANCIAL SERVICES, LLC

Registered Investment Advisor



2009 2nd Quarter Report

Green Shoots????



Federal Reserve as well as massive amounts of governmental spending to spark the economy. We are seeing Consumer Confidence pick back up but not even close to levels of 2 years ago but rising nonetheless. What does all this mean? Currently, it means there are signs that the worst of the recession is behind us unless some unknown factor such as a terrorist attack were to occur and push us further into an economic slowdown as was the case in 2001. It would appear that we have reached a bottom which is far different than a recovery. Expectations are slower growth in the future, years of recovery before unemployment drops to 5% which is the economic definition of “full employment” (unless of course you are in that 5%) and slower growing businesses and thus slower rising stock prices.

Regardless of political affiliation or expectations for the current administration, we have all read the woeful remarks regarding the recession which started in December 2007. We are in the longest economic downturn since the 1940s, over 6 million jobs lost, negative economic growth, a bust of the real estate boom in certain areas of the country and a massive drop in stock market wealth since the

October 2007 peak. With all that said, this country and its citizens are still the envy of the world and we are beginning to see “green shoots”, as Fed Chairman Ben Bernanke termed it. Green shoots are basically “less bad” economic indicators. For example, instead of monthly job losses of 600,000 as was occurring in late 2008 and early 2009, we are now seeing job losses of 350,000 per month. Instead of the price of homes plummeting, the rate of decline has slowed. Inflation fears, which just last July were showing signs of rising, have subsided. However, this could change very quickly with the monetary stimulus which has been undertaken by the

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INDEX	Since 2009 Low	2nd Quarter	Year To Date
NASDAQ Composite	44.70%	20.00%	16.40%
S&P 500	40.00%	15.20%	1.80%
Dow Jones	29.00%	11.00%	-3.80%

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What a quarter and what a year it has been in the markets. As shown on the graph and chart, patience and rational vs. emotional decisions pays off in the long run. An investor who stayed invested from the market lows saw massive gains – 3-5 years of normal gains occurred in an 8 week period and 1-2 years of gains occurred in simply the 2nd quarter. While this does not make up for the losses since October 2007, it certainly helps and provided a recovery for what was starting off to be a very bad year in

2009 as well.

The biggest quarterly gain in more than 10 years was fueled by the hopes that the economy would start growing again in the later stages of 2009. The stock market has historically begun a recovery 6 months prior to the economy reaching its bottom. If that holds true and stocks reached a bottom in March we could expect to see employment, growth, spending, consumer confidence and more picking up in late

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2009 or early 2010. Unfortunately, when the 18-month-old recession ends and how robust the recovery will be when growth does resume are still big unknowns. Our thoughts are it will be far different than the previous growth cycles we saw in the late 1990s and mid 2000s. As a result, investor anxiety is expected to remain high until concrete signs of a rebound emerge.

As always, thank you for choosing us to provide you with financial planning and investment management. Please call us to schedule a meeting or simply call us to talk about matters.

Starting July 1st, the widely publicized second-half recovery thesis will be put to the test — and with it the fate of the nearly 4-month-old bull market. To be blunt, it is

~ Burkett Financial Services, LLC

show-me time on Wall Street. If the bet pans out and the fledgling recovery picks up steam, investor confidence should get a boost and stocks are likely to break out from their recent stall pattern and start climbing again.

The risk is if the business resurgence never materializes, forcing investors to rethink their strategy, a psychological shift that could create a stock pullback. We will have to see what happens but our team is having another of our annual summer meetings in July to discuss our thoughts and approaches and we look forward to sharing them with you in our meetings, emails and letters.

