

July 2011

*"America's good name and credit are just too important to be held hostage to Washington gridlock, and I hope that in the end cooler heads will prevail and an agreement will be reached quickly. If America, for the first time in its history, defaults on its obligations, it would have a catastrophic effect on our financial system and on our credibility around the world. It would also take a serious toll on our economy, and that at a time when the nation is still trying to recover from the deep recession." - Mayor Michael Bloomberg*

Listening to the daily news reports about what is happening in Washington right now, I am sure you are as frustrated as I am. At some point soon, the debt ceiling will have to be raised as the political and economic consequences of not doing so are simply too great. We can only hope they take action before there are longer lasting financial and psychological costs, both of which would be counterproductive to improving the nation's fiscal problems.

After four months of strong equity returns, the market pulled back in May through mid-June before rebounding toward the end of the month to finish the quarter flat. Several of the reasons for the decline were high energy and food prices weighing on consumers and disappointing employment, housing and GDP data. Globally, the earthquake and tsunami in Japan slowed manufacturing by disrupting the supply chain while the European debt crisis continued to loom. Some of these factors are temporary and slowly improving. Others such as housing, unemployment and the deficit will take longer to rebound.

Although the market was relatively flat for the second quarter, the S & P 500 was up 6% for the first half of the year. It is easy to lose sight of the fact that there are reasons for optimism despite the uncertainty that remains. If corporate earnings continue their strong rebound and companies decide to spend some of the record amounts of cash they hold on their balance sheets, the market could see some momentum. Ben Bernanke has hinted that the Fed remains prepared to intervene with monetary policy adjustments if necessary. Moreover, on a lighter note, since 1900 years three and four of a presidential cycle have outperformed years one and two by a wide margin.

It is important to understand that investing in the markets will always have some level of uncertainty and risk. The only way to eliminate risk completely is to stay in cash, which then presents its own risk of not keeping up with inflation. What we can do is control risk by creating a diversified portfolio which includes many asset classes that are not highly correlated with one another. In order to advise you best in these volatile times, we encourage you to talk to us about your goals, time horizons and level of risk tolerance so that together we can make sure your risk and asset allocation are comfortable for you.

Walden Capital Advisors is growing. I am pleased to announce that Bryan Moylan has joined the firm as an Associate Advisor. Bryan is a Certified Financial Planner and has previously worked in client service at Vanguard, in mutual fund operations at BNY Mellon and as a planner for a smaller advisory firm. He will be involved in all aspects of day-to-day operations at Walden including client service, financial planning and investments. Please join Mary and me in welcoming Bryan to our team.

Enjoy the rest of your summer!

