# Market Outlook May 2010

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## Overview:

As I scan various periodicals I find a re-occurring theme: the market rally has been unexpected, stubbornly strong, and persistent. Additionally, most equity market analyst seem to indicate an expectation of inflation and a subsequent rise in the 'fed funds rate' sometime in 2011.

(Fed Funds rate - http://en.wikipedia.org/wiki/Federal_funds_rate )

However at the FOMC meeting of April 28th the Federal Reserve (Fed) stated they would keep the Fed Funds Rate somewhere between 0% and 0.25%. They further stated that there are several economic issues that cause them concern additionally they do not foresee inflation any time in the near future.

(Federal Reserve - http://en.wikipedia.org/wiki/Federal_Reserve_System)

(FOMC - http://en.wikipedia.org/wiki/Federal_Open_Market_Committee )

I still hold that the real issues facing us in 2010 and 2011 are:

- How does the government unwind its involvement in the day to day economic habits of the American public?
- How is the Fed going to shrink its balance sheet back to normal size?
- What is the regulatory environment going to look like in the banking and financial industries?

I would like to call particular attention to the second issue. How is the Fed going to shrink its balance sheet back to normal size? The final answer will not be clear for several years. However the actions taken by the Fed in the coming months and year(s) will determine our economic strength, stability, and worldwide influence for many years. At the very heart of the matter is how accurate the Fed's predictions are. It is easy to see what we should have done, difficult but not impossible to see today, and critical that we see tomorrow. One tool in the Fed's tool box that tends to go unnoticed is the reserve requirements or amount of funds that a depository institution must hold in reserve against specified deposit liabilities. The recent increase in reserve requirements has a trickled down effect that reaches far beyond one bank's ability to lend and one company's ability to borrow. The lesson that the history of money supply teaches us is that to ignore the magnitude of money supply changes is to court monetary disorder. Time will tell whether the current monetary policy is enduring and a challenge to that lesson.

(What is money supply? - http://www.econlib.org/library/Enc/MoneySupply.html )

Click here to read the rest of the article.

***Spending a little time now to review your investments may pay dividends later!***

Please take a moment to view a message from your Financial Planner by **clicking on above image**.

## *Trivia*

***When did Apple launch its first i-Tunes store?***

*April 28, 2003.*

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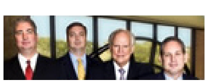

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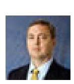

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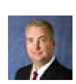
Willard "Bill" Golightly



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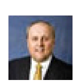

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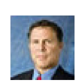

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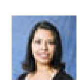

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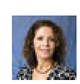

Seli Compton