

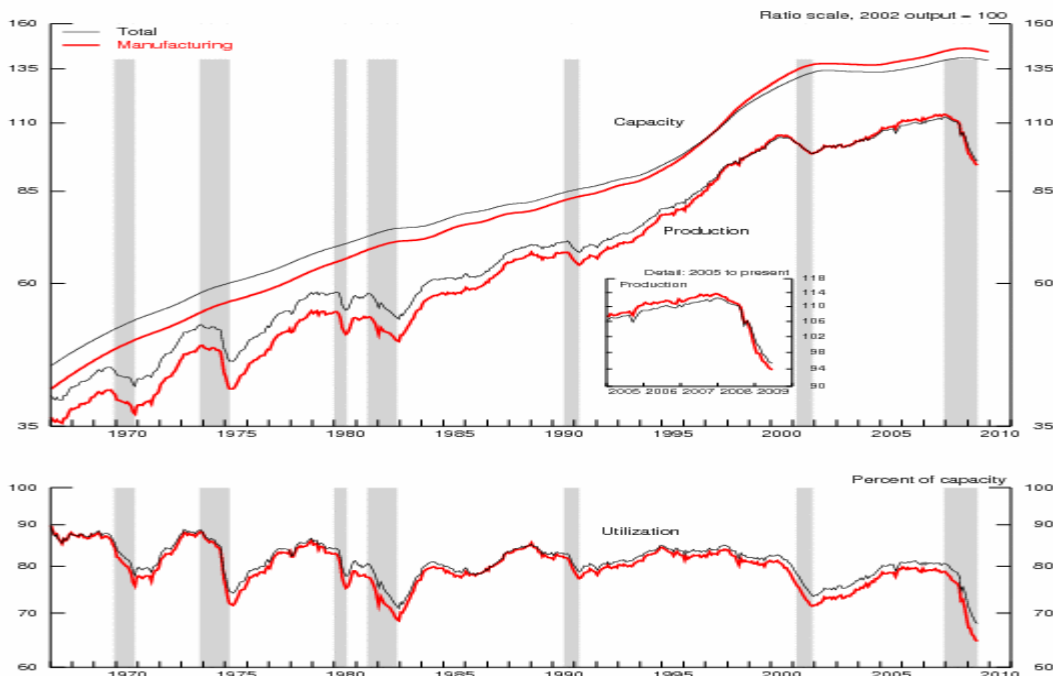
July 17, 2009

Economic Recovery is Bullish for the Stock Market.

“Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria.” - Sir John Templeton

The charts below, courtesy of the Federal Reserve, illustrate the drop off in industrial production and capacity utilization. The last time we had this degree of weakness was back in 1982 when the SP500 index was at 182. For the next decade the SP500 went up to 358 and then up to 1100 by 2002. It’s almost impossible to forecast the market but I am confident that a rebound of industrial production and capacity utilization which will lead to higher stock prices. We expect industrial production and capacity utilization to pick up in the second half of this year because of the rebound in spending through Federal stimulus spending and inventory restocking of new orders.

1. Industrial production, capacity, and utilization



Notes: The shaded areas are periods of business recession as defined by the National Bureau of Economic Research (NBER). The last shaded area begins with the peak as defined by the NBER and ends at the trough of a 3 month moving average of manufacturing IP.

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Gerald R. Sparrow, MBA
Registered Investment Advisor

Disclosure:

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