

**February 9, 2010**  
**Bullet Points**

- Is the current market volatility the beginning of a new bear market?
- NO.
- Despite it being another rough week for stocks, they are now more oversold than at any time since last March.
- Because we are not in the habit of catching “falling knives” we would council caution here. However, we continue to expect a sustained bounce. The cause for the current volatility is political. The market/economy is taking its cues from Washington DC regarding what can be done to improve both the jobs and growth outlook.
- Unfortunately, the market perceives the political class as more interested in searching for political advantage than real economic solutions.
- Hence more economic gridlock and less predictability.
- As a result the principal economic actors, businesses and banks wait for something to happen rather than making it happen.
- Furthermore, the President’s budget proposal just unveiled promises trillions of dollars in deficits for years to come, despite the absence of an immediate financial crisis or deep recession.
- This can only end in inflation, a rapid downward spiral for fixed income investors as interest rates spike triggered by any number of possible events.