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"EVERY TIME IS DIFFERENT, YET IT'S ALWAYS THE SAME"

While the root cause of each market downturn is different, emotionless consistency in investing is paramount to long-term success. Our approach remains focused on diversification, observation of leading indicators and validation through lagging indicators.

JANUARY 2009

Webinar: <http://vimeo.com/6255074>

US markets were at peak volatility so allocating to non-US correlated assets provided a diversified hedge.

MARCH 2009

Webinar: <http://vimeo.com/6255261>

Long-term investment opportunities were taken based on leading indicators such as Dry Bulk ship rates, base metal charts, China markets, etc.

AUGUST 2009

Lagging US data validated the 50% stock market move that most missed as they awaited better economic news like GDP improvement, cash moving into the stock market, technical rallies over the 200-day moving averages, etc.

We applaud our Clients for having the faith, patience and discipline to recognize that this time was different, yet the approach to succeed remained the same.

Q3 / 2009 Market Update & Commentary

A famous investor, John Templeton, once stated:

"Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria."

This observation would suggest that a bull market may have been born on extreme pessimism in March as the "world was coming to an end", and that it may currently be growing on skepticism about the rally.

S&P 500 Chart: New Bull Market or Bear Market Bounce?



Many investors were pessimistic when the economic data was dreadful and the equity markets were falling, as this correlation made rational sense. However, these individuals have been confused with the divergence in direction of the economy and equity markets since late March. GDP has been on the decline, foreclosures and unemployment are rising, states are on the brink of insolvency, and many companies and industries are under incredible levels of stress (e.g. banking, automotive manufacturing, etc.). Yet, equity markets have been significantly on the mend, rebounding dramatically from the lows earlier this year.

Whether the recent increases in equity markets are a bear market bounce or a start of a new bull market, the divergence is of particular concern to people who either removed their long-term investment capital from equities during the decline, or who have been holding back considerable new money, waiting for some clear signal that the economy has improved. The challenge of trying to figure out when to "get back in" will be further compounded by the regret of having missed the rebound. A little voice asks, "How can I get back in around 1000 on the S&P when I didn't in the 700s, or the 800s, or the 900s. With my luck, I'll get back in here, and it'll go right back down again..."

The way to break out of this paralysis is to begin thinking of the problem not in terms of the market but in terms of your goals. If you're like most, money market yields are not going to generate a comfortable retirement, not going to help with family educational needs, and certainly won't help provide legacies to

TRIBUTE TO A GREAT WOMAN: DANIELLE “MOM” MARTORELLO (March 2, 1943 – August 14, 2009)

On August 14, 2009, Danielle G Martorello passed away after a 10 month battle with leukemia. Danielle was a hard-working, loyal, and compassionate person. Born in Switzerland, she came to the US for school and stayed after she married Clayton Martorello, her “prince” from Brooklyn New York. He taught her how to live in the city, and she helped edit his college papers in English, despite the fact that French was her native tongue. Danielle, raised two children, taught high school language in the inner-city of New York for over 25 years, and was an active member of the Unitarian Universalist Church of Queens. She was also quite a tennis enthusiast, and a wonderful soccer coach.



However, she will most be remembered for her desire to help others. Whether it was being a supportive mother to an upset child, helping after school to improve a student’s home life, volunteering at soup kitchens, or inviting the elderly “singles” to holiday home parties...she always chose modesty for herself and charity for others.

Danielle is sorely missed, but her spirit and ideals live on in all of those that she touched. At MMM, we take particular pride in helping others to maximize their lives and dreams, and to be vulnerable and open enough to have true learning experiences. For all of those that have lost a loved one, our belief is that we can best honor those that departed before us, by continuing their legacy. Mom, we miss you dearly...and yet you are still alive.

- Raphael Martorello

Market Update & Commentary (continued)

the people and organizations you love. Every day you stay in cash is probably a day you get further from, rather than closer to, the ability to fund your most cherished financial goals. We concede that there are times when investments become overvalued, and taking some profit off the table using a disciplined selling strategy is a prudent practice. At MMM, we use value stops to automatically lock in profits after huge run-ups beyond our estimated value for the investment. However, contrary to bottom selling, this approach is used to sell at peaks rather than valleys.

Overall, understanding that long-term savings are meant to be put to work, rather than sitting in cash for the right moment to reenter the market, may, if you let it, move you toward a sensible long-term investment decision, regardless of your current emotions regarding the economy or the investment market(s).

“America the Vulnerable” The Next 100 Years, George Friedman

"Let’s consider some interesting figures. Americans constitute about 4 percent of the world’s population but produce about 26 percent of all goods and services. In 2007 U.S. gross domestic product was about \$14 trillion, compared to the world’s GDP of \$54 trillion—about 26% of the world’s economic activity takes place in the United States. The next largest economy in the world is Japan’s, with a GDP of about \$4.4 trillion—about a third the size of ours. The American economy is so huge that it is larger than the economies of the next four countries combined: Japan, Germany, China and the United Kingdom.

“Many people point at the declining auto and steel industries, which were the mainstays of the American economy a generation ago, as examples of a current deindustrialization of the United States. Certainly, a lot of industry has moved overseas.



“America the Vulnerable” (continued)

That has left the United States with industrial production of only \$2.8 trillion (in 2006): the largest in the world, more than twice the size of the next industrial power, Japan, and larger than Japan’s and China’s industries combined.

“There is talk of oil shortages, which certainly seem to exist and will undoubtedly increase. However, it is important to realize that the United States produced 8.3 million barrels of oil every day in 2006. Compare that with 9.7 million for Russia and 10.7 million for Saudi Arabia. U.S. oil production is 85% of that of Saudi Arabia. The United States produces more oil than Iran, Kuwait or the United Arab Emirates. Imports of oil into the country are vast, but given its industrial production, that’s understandable. Comparing natural gas production in 2006, Russia was in first place with 22.4 trillion cubic feet and the United States was second with 18.7 trillion cubic feet. U.S. natural gas production is greater than that of the next five producers combined. In other words, although there is great concern that the United States is wholly dependent on foreign energy, it is actually one of the world’s largest energy producers.

“Given the vast size of the American economy, it is interesting to note that the United States is still under-populated by global standards. Measured in inhabitants per square kilometer, the world’s average population density is 49. Japan’s is 338, Germany’s is 230, and America’s is only 31. If we exclude Alaska, which is largely uninhabitable, U.S. population density rises to 34. Compared to Japan or Germany, or the rest of Europe, the United States is hugely under-populated. Even when we simply compare population in proportion to arable land—land that is suitable for agriculture—America has five times as much land per person as Asia, almost twice as much as Europe, and three times as much as the global average. An economy consists of land, labor and capital. In the case of the United States, these numbers show that the nation can still grow—it has plenty of room to increase all three.”

As always, we encourage you to pursue life’s dreams!

Warm Regards,

Raphael & Megan Martorello
MMM - Martorello Money Management, Inc.
LotusGroup Advisors, LLC.

QUESTIONS?

As always, we are available to discuss any questions you may have regarding our progress towards your financial and investment objectives.

REFERRALS?

We appreciate your referrals as they are the lifeline to our business. Please let your family, friends and colleagues know about our wealth management services.

Contact Us

Phone 415-793-8014

Email info@mmmwealth.com