

**INSIDE THIS ISSUE:**

Market Update	1-2
Personal Investment	2-3

**GIVING THANKS**

Since the first Thanksgiving in 1621, Americans have observed a day of giving thanks. Here are some things for which we can all be thankful:

**LIVING IN A FREE SOCIETY**

What has always made our nation great are our unalienable rights: Life, Liberty and the Pursuit of Happiness.

**HEALTH**

"The greatest wealth is health." - Virgil

**FAMILY TIME**

There's nothing like spending quality time with family and seeing each other smile.

MMM is thankful for the opportunity to provide our family of Clients with peace of mind and comfort while they enjoy their pursuit of happiness.

[www.MMMWealth.com](http://www.MMMWealth.com)

**Q4 / 2008 High-Level Market Update**

In Q4/08, we experienced not one, but two 20% declines in the US equity markets, with mid-sized rallies after each. With these multiple drops, we moved beyond the average 30% decline in the S&P 500 for the last 12 bear markets, and dipped as low as 52.7% from the peak last year. To-date, this decline ranks as one of the toughest bear markets since WWII, and consequently has inspired massive fear amongst Wall Street, Main Street, and especially the media. In some cases, even traditionally recession-proof asset classes, such as corporate bonds, declined by more than the equity markets. This occurrence in the bond market was analyzed by one statistical firm as a 1 in 729 million year event. Moving to the commodity sector, we witnessed oil declining from \$150 to \$50 per barrel (a 67% decline), while average gasoline prices at the pump were sliced in half from \$4 to \$2 per gallon (and lower in some places). All asset classes participated in the market declines, with the exception of cash (including money markets and US Treasury bills).

To counter these events, the government has unleashed a massive intervention through monetary injections into private companies, and through credit market manipulations. By some estimates, the US government has stimulated the economy by more than \$2 trillion, with the majority having recently been announced and yet to be deployed. Most recently, the Federal Reserve began aggressively buying long-term bonds. This action is causing mortgage rates to rapidly decline and consequently refinance activity to pick up, with the hope that a floor in housing prices arrives shortly. We expect that further economic stimulus will take place, with a massive tax cut and spending plan to be announced and passed by the Obama administration in January '09.

So what does all this mean? A big question swirling through the media and in conversations across America is whether or not we are in the midst of another Great Depression. Do these headlines sound familiar what you are reading and hearing today?

*"Among other technical reasons for the break, brokers talked of a sudden burst of heavy selling to establish tax losses, and forced selling on margin accounts" – 1957*

*"The stock market has scarcely been so shaky since 1929. Middle-class people are being pushed into such demeaning economies as buying clothes at rummage sales" – 1973*

*"Economic Scene: Is the Depression Lurking" – 1982*

*"Technically, the crash of 1987 bears an uncanny resemblance to the crash of 1929. The shape and extent of the decline and even the day-to-day movements of stock prices track very closely" – 1987*

*"The borrowing has to stop. The market drop was a shot between the eyes that had better wake us up to the fact that we can't keep romping forever on borrowed money" – 1987*

(continued on page 2)

## Market Update (continued)

While the media improves their ratings with comparisons to the Great Depression, we have heard these exhortations before, and should rely more on fact than on sensationalism to form our view of the immediate future. What we do know is that the Great Depression was a once-in-a-lifetime event that not only included a credit crisis and an economic contraction, but also a series of massive governmental policy mistakes.

In the 30s, the Fed raised interest rates, the Treasury tightened the money supply, and global trading partners increased protectionist tariffs. All of these actions caused a massive economic contraction, with a 43-month stock market decline, a halving of national incomes, and an unemployment rate at a whopping 25%. Contrast that scenario with today where the Fed has reduced the short-term rate to a low 1% level, and has lent out over a trillion dollars.

Additionally, Congress and The Treasury have been extremely loose with the authorization of over \$850 billion to jumpstart economic activity. Finally, countries around the globe have not only acted in a coordinated fashion to provide stimulus, but have also publicly pledged to fight protectionism. These policy responses should help to re-inflate global economies with expectations of a few quarters of GDP contraction and unemployment rates maxing out in the 7.5 – 8.0% range. Our economic recession has been and will continue to be difficult on everyday Americans, but there is a low likelihood of us facing another Depression.

## Personal Investment

### *Tips for Recessional Times and Surviving Corporate Cutbacks*

While recessions can be temporarily painful to portfolios, we have frequently discussed how they can be beneficial to long-term investors by providing deep discounts for new investments. Economically, recessions allow companies to reduce their workforce to an appropriate level for lowered revenues. These companies then tend to delay rehiring once the economy picks back up. This phenomenon results in increased productivity gains and profits, and it lays the groundwork for the next bull market in equities. As an individual, the key is to stay productive, remain up-to-date with your skills, and ensure a positive cash flow that enables savings that can be invested at inexpensive levels. Five to ten years from now we will be salivating for today's prices, but the only way to benefit from them is to remain productive and to continue investing throughout.

Our clients span the full spectrum of age, career, and wealth. If you are one who may be worried about the stability of your job situation, please consider the following tips. While each job has its specific idiosyncrasies, the below should provide some generalities.

#### The Basics:

- Have a great attendance record
- Be on time in the morning, for meetings, for calls, etc. (call if running late)
- Dress appropriately for your given circumstance
- Have a positive “can do” attitude rather than analyzing all and being “the critic”
- Get a good night's sleep so that you can bring your energy to work each day
- Complete assignments on time
- Asks questions to understand, don't be a “know-it-all”
- Be honest and trustworthy at all times

#### Advanced:

- Take initiative to get things done that look like they need to get done, even if it isn't in your immediate area (not at the expense of completing your own job).
- Add significant value to assignments, by thinking specifically about how to increase revenues or how to identify & implement cost reduction opportunities.
- Align yourself with a successful mentor, and ensure you are on their agenda. If you are in a dead-end situation, begin networking to other areas in the business and offer to do a project for them on your own free time.
- If you are looking for something better, don't discard what you already have, but rather work towards something better in parallel. Do not act entitled.



## Personal Investment (continued)

- Consider starting a business on the side based on the expertise that you have in your given field or with a hobby that you love. If you ensure that startup costs are minimal, there can be a large potential upside with minimal downside. In addition to higher income, there are tax benefits that come with owning your own business.
- If you already own your own business, recessions can offer the opportunity to streamline your cost structure, while also pursuing new clientele that may be underserved by weaker competitors in your industry.

If you would like to discuss any of the above topics in greater detail, please reach out to us via email or phone. Where possible, we are happy to provide guidance or connections within our network to help you continue moving in the right direction. If you are thinking about starting a business or already have one, we may be able to help you review some tax saving investment strategies that are available only to business owners.

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

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