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Greetings,

The latest chatter of the moment is Greece. Greek banks continue to be closed. As far as I am concerned, this is like a repeat of a bad TV show. If you live in Greece, sure, it is a bad situation. This has been going on for more years than I can count, 4 maybe 5 years? When it first started, the talking heads chirped that if or when Greece defaulted it would be a Lehman like event for the stock market. While the stock market indices were down for one day, it was far from a Lehman like event so the talking heads were wrong once again. There is nothing like history repeating itself. Depending how things play out, there could be a minor pull back. As I wrote in the January investment letter, pull backs in the 3-5% range are to be expected. I won't know the reason for a pull back until it happens.

What is also imminent is the end of zero short term interest rates. Barring a major surprise with the economy or some geopolitical event, the Federal Reserve has made it clear that short term interest rates are going up soon, most likely in September. Janet Yellen (the head of the Federal Reserve) has made it clear that short term rates will be going up very slowly. This is a welcome relief for the stock market. I read in the latest issue of Barron's that since 1953, the S&P 500 has averaged a 9.3% return 12 months after the Fed's first rate increase. I don't expect the broad market to have a double digit return over the next year. I do, however, expect our assets to be higher in a year than they are now. While the economy is far from being in good shape, it is no longer in "crises mode" so there really isn't any logical reason for short term rates to continue to remain this low. I will say this about Janet Yellen, she is a heck of a lot more focused on the stock market than her predecessors, Alan Greenspan and Ben Bernanke. If anything, Alan Greenspan enjoyed talking down the market if he felt that it was over heated. I will never forget his famous "irrational exuberance" speech in reference to the stock market. I believe that speech occurred in 1996. When Janet Yellen says something that roils the stock market, she quickly makes a speech or a statement to make it clear that she didn't mean what she initially said. I find that amusing.

The "economy" continues to limp along. The GDP (a measure used to gauge the economy) was negative in the first quarter of this year. This was similar to last year when it was also negative in the first quarter. Similar to last year, many economists who predict the growth rates of the economy with similar accuracy as weather forecasters, blamed the bad weather for the terrible first quarter. My memory is pretty good and I remember a bad winter or two in the 1990's. Why does the economy contract now with a bad winter, but in 1998 and 1996 with a bad winter, the economy hummed along without a problem? I find it interesting that now, with the bad winter we just experienced, it is being linked to the contraction of the economy in the first quarter. The same excuse was made last year with the bad winter. The stock market likes it only because with a weak

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economy, interest rates and inflation will continue to be at historical lows. As far as the rest of the population (the vast majority) that predominately does not benefit directly from the stock market doing well, I get the feeling most people are like a boxer that is punch drunk. Things have been so bad for so many people in this country, they are doing what they can just to get by. One of the few times I actually agreed with the talking heads (shame on me, I figured the law of averages was on their side) was when they predicted that the economy would benefit this year because of the lower energy prices. It hasn't happened. That doesn't mean that it eventually won't happen if energy prices stay low but at this point, you simply never know. The situation is that with such uncertainty with the economy, people aren't willing to change their spending habits so quickly.

Please give me a call or email me if you have any questions or anything that you would like to discuss.