

Bowers Wealth Management, Inc

Registered Investment Advisory Group

October 13, 2008

S&P 500 Ytd -38.74%

DJIA Ytd -36.27%

Nasdaq Ytd -37.85%

Usd \$ Ytd +8.43%

Gold Ytd +2.03%

James R. Bowers



Market Commentary

A proper bear market is upon us, finally. 2003-2005 gave investors false hope that a new bull market had begun, but a bull market has never begun from the P/E levels reached in 2002. We're 8 years into what is generally a 7-15 year bear cycle for the market. Having come off of three consecutive bull markets in technology stocks, bonds, and real estate, the market may stagnate into 2010 or beyond. This is not your average bear. The entire financial structure has sustained very deep damage. While it's possible that we're within 1000 points of where the next bull market may start, the current volatility makes new investments a roll of the dice at this juncture. Purchasing inexpensive dividend paying blue-chip stocks will be the way to wealth once the market has settled, but until then I'd like to focus on two opportunities on which we may capitalize today.

Opportunities

Municipal Bonds

Two areas of opportunity have presented themselves as a result of this investing environment. Municipal bonds or funds comprised of them are experiencing an unusual phenomenon. Municipal bond yields are generally less than taxable bonds as a function of the beneficial tax treatment bestowed upon them. Currently municipal bond yields are above their taxable counterparts. While a higher yield is a positive thing, we must also be selective, as a number of these bonds derive their revenue from sources whose ability to pay may be questionable. With that being said, my research has led me to a handful of viable options in this municipal bond market. Perhaps the most enticing aspect is the possible negative change of tax treatment of dividends and capital gains as a result of the elections in November. This one event could create a tidal wave of investors flocking to the beneficial tax treatment of municipal bonds, thus driving up their value.

Commodities

The second area of opportunity is the commodity sector. My clients have been participants in the current commodity bull cycle since its' inception in 2001. Not since then has there been an opportunity to buy these assets "on sale", until now. Silver has lost 51% of its value since March with little change in demand. World-class producers of gold, diamonds, uranium, and natural gas have lost 60% of their value with little change in the fundamentals that are driving this commodity bull market. Corrections are common in bull markets, but this has been a panic sale in a period of indiscriminate selling. In 1975-76, five years into the last commodity bull cycle, gold lost 47% of its value, only to be followed by a four year gain of over 800%. While slower economic times generally mean commodity demands decrease, the events of recent weeks have created fear that will likely push investors and banks into hard assets as a form of financial "insurance".

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