



Economic Commentary

Wow, what a year we had with 2009. The market rose in January of last year then hit multi-year lows in early March. Some investors worried the market as we knew it was gone. Throughout the 1990 's and Early 2000 's some investors took profits for granted along with gains in real estate prices. Investors almost had a feeling of moral entitlement to a blanket increase in pricing. The last couple of years, mainly 2009, threw them a curve ball. With the Madoff scandal, low fixed income rates, and a desire to get through the year, the rise of stock prices in the last half of 2009 hardly made us feel better. We hope this year will have less volatility and leave us warm and fuzzy 12 months from now.

In the 82 year history of the S&P 500 the year 's highs are in December, 30% of the time, and most of those happen in the last week of the month. This leads us to a reference to the "January Effect". This is an estimation of the full year 's performance based on how the month January does. The effect seems fairly reliable if the market hit a high late in the prior year as well, so maybe just maybe 2010 will be better.

There has been a fair amount of talk about our increasing national debt and the burden this places on our country. Eventually this problem along with historically low interest rates will create inflation. The Fed will likely raise rates late this year or early next year to thwart this problem. In light of this, we still expect the economy to grow at a 3% clip which is normal. All in all, we hope 2010 will be more of a "vanilla " year.

Chris B. Gariepy
Vice President - Trust
January 8, 2010