

January 16, 2009

It is certain that 2008 will go down as a watershed year. Politically, the election for the first time of an African American to the presidency and the very real possibility that either our president or vice president might just as easily have been the first woman to hold that office, made last year a memorable one. The financial markets shattered some long held assumptions in 2008 as well, but they mostly centered on negative outcomes. Last year was characterized by extreme volatility and dysfunctional markets. In a very brief period of time we witnessed bank seizures, fraud, bankruptcy and bailouts on an unprecedented scale. The important question now is how to approach the year ahead.

We know that interest rates in the near term will remain extremely low. The Federal Reserve and the US Treasury are working hard to make sure that these lower rates translate into attractive rates for home mortgages and other types of consumer credit like auto loans. In addition, inflation concerns have collapsed along with oil prices and other commodities. Finally, we are seeing almost all the major economies implementing rate cuts and fiscal stimulus programs.

Just as the financial crisis is extraordinary, so too is the governmental response to it. No one really knows which elements of the worldwide monetary and fiscal programs will be effective, nor do we know when credit markets will thaw completely. We do know that there are investment opportunities for those with the patience and time horizon required. Stocks prices are very low both historically and relative to government bonds, even allowing for the weaker earnings outlook. We expect larger capitalization stocks, which have better access to credit, to rebound more quickly than smaller company stocks. Tax exempt bonds continue to be attractive. The enormous amount of cash (over \$3 trillion in money market assets) sitting on the investment sidelines could fuel a strong recovery in stock and corporate bond prices.

Here at Bigelow, we are working to manage your investment portfolio in these extraordinary and turbulent times. Our focus on quality and diversification, through all kinds of market conditions will continue to be key to our approach.

With tax season approaching, this is a good time of the year to evaluate your financial plans, including budgeting and tax planning. If there is anything we can do to help, please contact us.

Sincerely,

Kathryn Dion

Barbara Moran

Larry Pelletier

Gary Robinson