



Stanton & Castleton, Inc.

An independent firm

Let's Review: Our Monthly Newsletter.....06/01/09

This month:

We have continued to see a welcomed recovery in market valuations through the month of May. The pendulum does indeed swing both ways. It is with this in mind that we are growing more confident that the worst of the market *volatility* may be behind us; however we are cautious since the economy is still contracting. It is reasonable to expect some market pullback after such a strong rally (S&P +39% since 03-09-09), especially if the recovery begins to look as if it will be slower than current thinking. Looking at the recent “State of the Economy” report by the Congressional Budget Office on 5/21/2009, we can see both caution in the economy and the beginnings of cautious optimism. I know that sounds like double talk however 2009 is still expected to be a negative year for GDP growth:

Table 1.

Private-Sector Forecasts for 2009 and 2010

	2009, by Quarter				Annual Average	
	1st	2nd	3rd	4th	2009	2010
Growth of Real GDP^a (Percentage change)						
Top 10	-6.1	0.3	2.1	3.3	-2.3	2.8
Consensus	-6.1	-1.7	0.5	1.8	-2.8	1.9
Bottom 10	-6.1	-3.6	-1.3	0.4	-3.3	1.0
Unemployment Rate (Percent)						
Top 10	8.1	9.3	9.9	10.3	9.4	10.4
Consensus	8.1	9.0	9.4	9.7	9.1	9.7
Bottom 10	8.1	8.7	9.0	9.2	8.8	9.0

Source: Aspen Publishers, Inc., *Blue Chip Economic Indicators* (May 10, 2009).

Note: Growth rates are expressed as annual rates, and annual averages describe year-over-year growth.

a. Real GDP = inflation-adjusted gross domestic product.

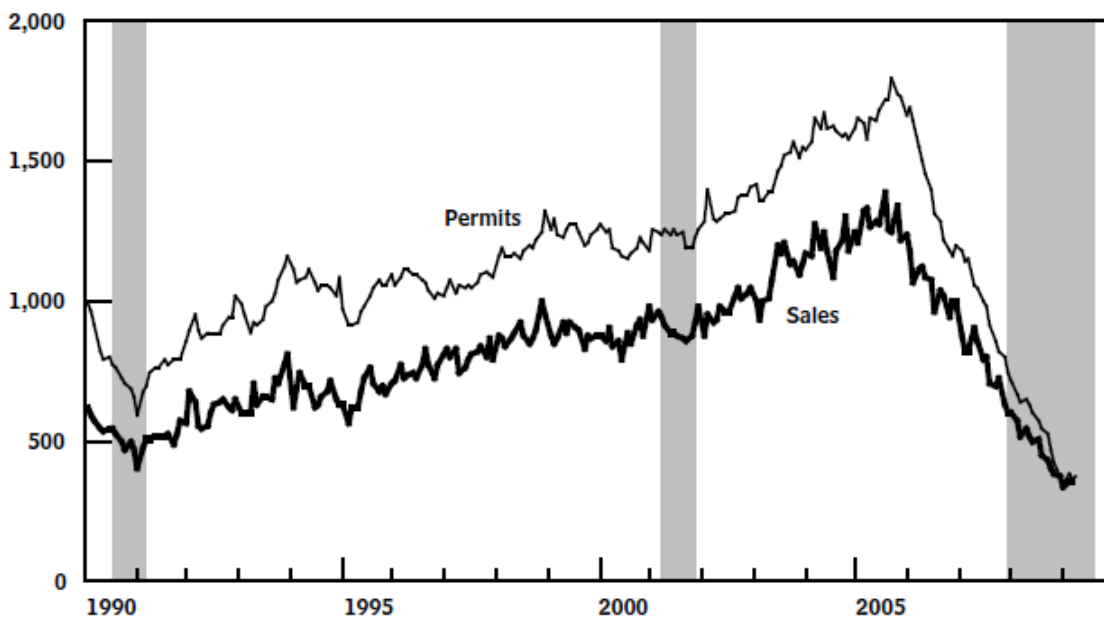
“In the end, how your investments behave is much less important than how you behave.”

It is also clear that the consensus is for growth to reestablish a positive trend by 2010. In economics GDP and unemployment are considered *lagging* indicators, meaning while the worst numbers are yet to come it is becoming clear that the trend is slowing. As the *leading* indicators (market behavior) begin to reflect a more positive economic expectation for the future we get markets reversing to a positive trend. Taken together we have seen a nice lift through May 2009 in asset values.

However we still have a ways to go before confidence and renewed optimism are translated into growth. A look at the housing market will quickly remind us to still be cautious:

Single-Family Housing Permits and New Home Sales, 1990 to 2009

(Thousands)



Sources: Congressional Budget Office; Bureau of the Census and the Department of Housing and Urban Development; National Association of Realtors, Economics and Research Division.

Note: Data are monthly and are plotted through March 2009.

Our view is not to get too caught up in the headline hysteria. We continue to look at portfolio diversification as the key to weathering market volatility. In light of this past year we have learned that more diligent rebalancing and some tactical portfolio moves are likely to be with us through this recovery. Our approach to asset management is constantly evolving, staying open to improvements to our process while holding true to our core principles.

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Bob Stanton, Branch manager / Registered Principal:

Joyce and I are growing green thumbs! We were growing envious of Ron and Sunny discovering hiking together. With all the boys becoming more independent (translation: at the age they want little to do with us not involving \$\$\$) we figure our time is past due. Joyce loves to work on the yard and I use to own a landscaping business....so I think we will start there. I can lift, dig, cut and pull while Joyce plants, prunes and shapes!

Ron Castleton, Branch manager / Registered Principal:

Summer is upon us, and with it the homecoming of our college bound kids... For the next few months home will no longer be the peaceful respite it has been the last 9 mos. Bring on the late night phone calls, the coming in & going out at ALL hours of the day & night. The sink will be full of dirty dishes & the hamper full of dirty clothes. If you think Sunny & I are happy about this we are! Even though the hassle goes up exponentially, there's just something comforting about having the boys all close to home. My mantra for the summer is “tolerance” –ommmm say it with me, “t o l e r a n c e”

This month “Financial Topic”: One more cartoon!



“In the end, how your investments behave is much less important than how you behave.”

**Benjamin Graham
The Intelligent Investor**

“In the end, how your investments behave is much less important than how you behave.”

The Numbers:

Closing Values – monthly change / as of 05-29-2009

DOLLAR	weaker	NASDAQ	1,774.33	+57.71
10-YR YIELD	3.46%	S&P 500	919.14	+46.33
VOLUME	1,860,895,730	DJIA	8,500.33	+332.21

Numbers Provided by Standard & Poor's

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Manage.....Monitor.....Maintain

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