



Stanton & Castleton, Inc.

An independent firm

Let's Review: Our Monthly Newsletter.....07/01/09

This month:

Where are we now? The last year had reminded us how important it is to have some process for answering this question. The old adage “hindsight is 20:20” allows us to see clearly the obvious stress that was weighing on the global economies; the challenge is to be better at assessing the world around us now. With this in mind we can continue to build portfolios to benefit from the long term nature of market returns while managing risk with tactical defensive moves at the extremes.

We just came from a conference and had an opportunity to hear from some well respected strategist. Among them was Dr. David Kelly the Chief Market Strategist for J.P. Morgan Funds. Dr. Kelly is more optimistic than most, believing we could emerge from this recession with 4% GDP growth. If this were to happen we could see a new bull market in equities. One of his greatest concerns is also the reason for strong growth: he observed that currently everyone from consumers to lenders to manufactures and builders are all reflecting the same thought and action; **“wait and see”**. Dr. Kelly feels this restraint in of itself has a self fulfilling aspect. As people wait, spending and earnings decline more making everyone inclined to **“wait and see”** some more. The chart on the following page illustrates people are still holding cash, lowering debt and selling short in dramatic fashion.

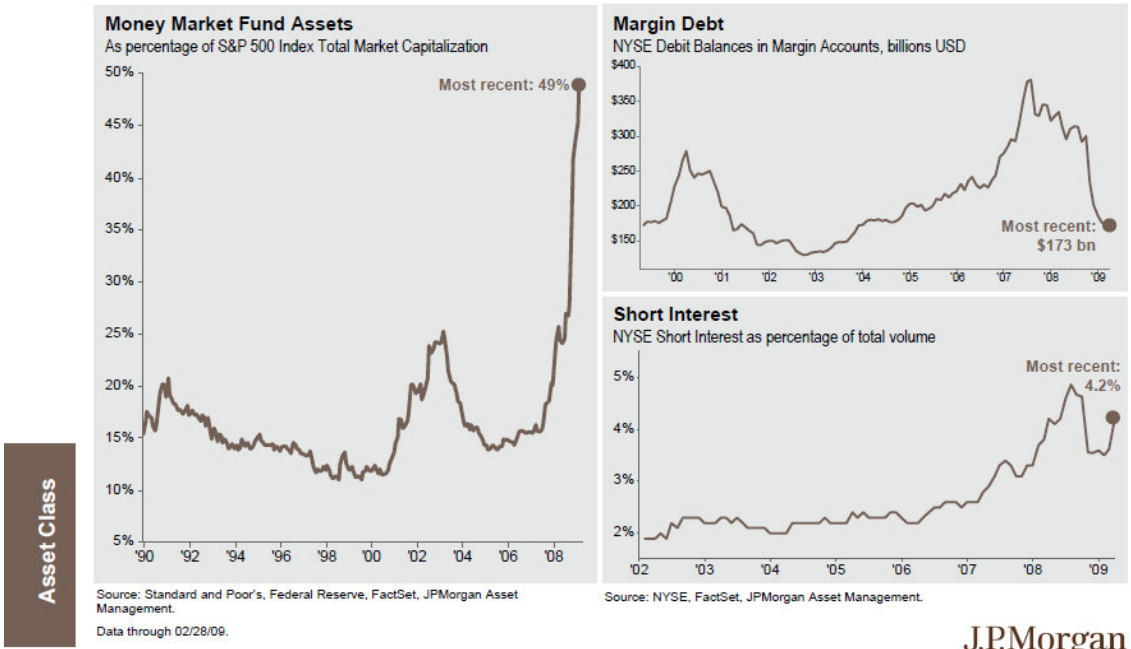
The collective effect of this group action can create a pent up demand for all goods, many essential, that should eventually result in new spending. We see inventories and labor cost reduced to minimum levels where a small increase in demand can lead to an inventory restocking recovery and a bit more demand could actually ignite economic growth. The positive momentum in the economy can build a reinforcing (self fulfilling) growth dynamic and a recovery is underway. The “wait and see” group think could turn into “get it while it’s cheap” and this is how we could see 4%+ GDP growth in 2010. Dr. Kelly seems more inclined to this scenario rather than a double dip recession for now.

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*1151 Dove St., Suite #115, Newport Beach, CA 92660 / 949.975.0955 / 877.975.0955 / www.stantoncastleton.com
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“In the end, how your investments behave is much less important than how you behave.”

MARKET INSIGHT SERIES Measures of Investor Sentiment



Our position is to be prepared to benefit from and participate in any recovery. While the global devaluation caused by the “deleveraging” of the credit markets caught the world by surprise, we should not be surprised in the eventual economic recovery born out of recessions. The first sign is the “sell everything at any price” fear. This is followed by a return to “reasonable” value as the worst seems past. The last 15 weeks markets have rallied in an effort to reach some equilibrium for a potential recovery that still is subject to potential setbacks. We see the current market no longer pricing for worsening recession or depression and beginning to price in a 1-2% GDP growth recovery. If we do see signs of the economy growing at a faster rate then the “reasonable market value” could also rise.

For now we are a bit cautious after such a strong market performance; however we are growing more convinced in the eventual economic growth in 2010 and beyond. We continue to believe that the money invested these last 9 months and the next 9 months will have strong overall returns.

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

Bob Stanton, Branch manager / Registered Principal:

I will not bore you with our hectic summer “sports” schedule or tails of near wins and losses (next time)...What I thought I would share was something that inspired me. This last month we had a great party at our home...Joyce and her two sisters June and Jenny along with their brother Jim celebrated their parents Jim & Ann 50 years of marriage! In watching everyone have a great time I was moved by how lucky I was to join into such a wonderful family...and my folks were there to complete the picture of what a truly fortunate fellow I am!

Ron Castleton, Branch manager / Registered Principal:

Always the planner (Not!). The big question looms....where do we go this summer??? The world tour is out, so we have to think domestically. I am leaning to the mountains but am open to other ideas.....anybody???

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 06-30-2009

DOLLAR	neutral	NASDAQ	1,835.04	+60.71
10-YR YIELD	3.52%	S&P 500	919.32	.18
VOLUME	1,327,349,850	DJIA	8,447	-53.33

Numbers Provided by Standard & Poor's

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

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