



Beyond the Bell



The Recession is Over - Jeff Gay

On September 15, 2009, Federal Reserve Chairman Ben Bernanke told a conference at the Brookings Institute that “from a technical perspective, the recession is very likely over at this point.” This comment garnered national news, but it wasn’t that big of a deal as the stock market had begun pricing a recovery story into stocks months earlier with a consistent rally that began in early March 2009.

The bigger question is: Now What? Although no one can predict the future, I am going to pass along my thoughts about the opportunities that I see and some of the risks that we face.

Let’s begin with Chairman Bernanke’s follow-up statement. “It is going to feel like a weak economy for some time.” The reality is that unemployment is at the highest level since the deep recession of the early 80’s. Even within my client base, there are a significant number of very capable people looking for work. At this point, it does not appear that there will be noticeable job growth until the second quarter of 2010.

This is a significant headwind for economic recovery but looking on the flipside, nearly 90% of the population is working, and as this number improves it contributes in a very positive way to real economic growth. Keep in mind that a hefty amount of government stimulus remains to be spent going into 2010, including major bridge projects creating construction jobs by Spring 2010 along with one million temporary workers needed to conduct the U.S. Census beginning April 1, 2010. General Motors has announced they will be adding a third shift at a number of their plants beginning in January 2010 to rebuild inventory after the “Cash for Clunkers” program depleted the selection of certain models at many car dealerships. These and many other inventory rebuild projects will help boost domestic economic activity and will be a positive catalyst in the turnaround process.

As jobs are created, pent-up demand for new automobiles could become very noticeable. According to the U.S. Commerce Department, 2006 auto sales in the U.S. reached 16,661,838. However, it is estimated that only 10 million vehicles or less will be sold in 2009. It appears to me that many individuals have put off making big purchases like cars, yet drivers continue to rack up miles on existing vehicles. This scenario sets the stage for a reasonable upturn in new car sales once confidence improves in 2010. A rally in auto sales will be a key component to a recovering economy.

Fear remains high. Americans are concerned about the outcome of Health Care Reform, tension in the Middle East, the number of unsold homes, foreclosures, government spending, the political climate and a potential collapse in the value of the dollar. Additionally, there are concerns regarding commercial mortgages, availability of credit and the list continues.

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Welcoming Adam Lake

The Carlisle, PA satellite office is pleased to welcome the new Operations Assistant, Adam Lake, to their staff. Adam, son of Financial Advisor Laurie Lake, recently graduated from Shippensburg University with a dual Bachelor of Arts and Bachelor of Science Degree in Finance with an emphasis in Financial Planning.

In his free time he enjoys kayaking, disc golf, hiking, golfing and fishing. He is excited about the new opportunity to pursue a career with Raymond James.

Attention Florida Clients

November 7th-12th, 2009

Jeff will be visiting his clients in Florida. Please contact Jeff by calling our office weekdays 9am-5pm at 1-800-673-2584 or by e-mailing Jeff directly at Jeffery.Gay@RaymondJames.com if you would like Jeff to schedule a time to meet with you.

In the News

Jeff Gay recently had the privilege of serving as campaign manager for Tom Kearney's successful bid to become York County District Attorney in the 2009 election. Jeff offers his congratulations to Tom and all others who served in this challenging campaign!

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As a result "Gold" has been a favorite item for discussion in many client review sessions as it has been moving to steadily higher prices within the commodity markets. Please feel free to call me to discuss these topics if they are on your mind.

Fear is a normal emotion that most of us feel in a recovering economy. Historically, it has been a bullish sign as caution ultimately gives way to opportunity and money tends to move from safe options toward more risk-oriented investments, thus creating positive upward momentum as fear abates.

Overall, my take is that we are in a recovering economy despite all our problems. It is going to be a slow process, especially on the jobs front. It should not be surprising if stock prices experience a pause or pullback after a significant run. Stocks rarely go straight up for too long. However, after a reasonable pause, if the jobs outlook and corporate earnings register improving confidence, then stocks could resume their upward bias.

It is anticipated that energy demand will increase, based on a recovering global economy. This will likely cause energy prices to move higher. Higher oil prices could put further pressure on the dollar and, ultimately, inflation. Despite potentially higher oil prices, it is likely that the Federal Reserve will strive to hold interest rates low, seeking to avoid a double dip recession. This also could set the stage for future inflation, but near-term could be supportive to financial companies or firms for further rebound as the cost of money remains low for now.

The dollar has the potential to remain weak which may spur job creation in the U.S. export market. Basically, the lower dollar means that the U.S. is on sale to many foreign investors. This may help buoy foreign tourism in America. European investors may also consider this an opportunity to sell an appreciated Euro currency and convert to dollars, thus creating the opportunity to take partial ownership in many U.S. multinational companies or firms. Such demand could create an upward bias toward the large-cap sector.

When the Health Care Reform debate finally resolves itself for the time being, the market will sort out the winners and the losers. Most importantly, a near-term cloud is removed, which has been hanging over the health care industry. This could be a positive overall for the health care industry. On a global basis, technology solutions seem to be in real demand, thus creating investment opportunities within this sector. Infrastructure improvement and alternative energy also remain sectors to watch.

There also remains a tremendous amount of money on the sidelines just waiting to see how some of the uncertainties resolve. If the conservative investor begins to believe in the recovery process and interest rates remain low, there is the potential for money to move toward high quality dividend paying equity investments, many of which have not participated thus far to the degree of their aggressive counterparts. This could result in a significant investment theme in 2010.

Ultimately, in 2010, concerns related to inflation, rising interest rates, higher tax rates, the stability of the dollar and the repositioning of bond portfolios will be major topics and items for possible action. For right now though, it is a time when you may wish to consider booking a year-end tax loss within your portfolio, if one exists. You may also wish to lock in gains for any near-term money needs.

Generally speaking, I am optimistic, but we are not out of the woods yet on a near-term basis, and we still have a lot of huge issues to deal with going forward. Caution

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is wise, but opportunity does exist. If you would like to speak or meet with me before year's end, please don't hesitate to contact my office to schedule an appointment. I expect many people will take me up on this offer, so please schedule a time as early as you can.

We have a great team of advisors and support staff. We will be glad to help you to try to navigate through these unique times. For me, this is also the point in the business cycle where many people are in transition and need help with their retirement plans, year-end tax planning and investment guidance. Thanks to the kindness of many of you, I have had the privilege to take on some new clients due to your referrals. If you can help us grow our practice in this way, we always appreciate it. Thanks again for your continued trust and confidence through these most interesting times.*

** The information, analysis, and opinions expressed herein are for general information only and are not intended to provide specific advice or recommendations for any individual or entity. Investing involves risk and investors may incur a profit or a loss. Statements made herein should not be considered forward looking, and are not guarantees of future performance of any investment. Opinions expressed are those of Jeffrey A. Gay and are not necessarily those of Raymond James. All opinions are as of this date and are subject to change without notice. There is no assurance that any investment strategy will be successful or that any securities, industries, or sectors discussed will be profitable. Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors. Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated. You should discuss any tax or legal matters with the appropriate professional. Past performance may not be indicative of future results.*

Milestones Reached

Jeff Gay and Tiffany Blackstone

Summer 2009 marked a first for the staff of Miller & Gay. Jeff Gay became the first in the office to become a grandpa!

Josiah Daniel Blackstone was born to Andrew and Tiffany Blackstone (Jeff's daughter and Client Communication and Relationships Manager) early Sunday morning, July 26, 2009.

Born at 6lbs 3oz and 18 3/4in long, Josiah was welcomed by the arms of countless family members.

"Life certainly has changed," said Tiffany, "but we're loving this new chapter."

If you have been in the office lately, you've probably noticed the homemade sign reading "Grandpa's Office" over the entrance to Jeff's office. Tiffany and Jeff's wife Pam keep Jeff stocked up with photos of the little guy, so ask Jeff to see them next time you visit. He'll proudly show them off.

Chris Lehr and Jeff Gay

Summer 2009 also held a few notable business anniversaries at Miller & Gay. We wish to congratulate Chris Lehr on 10 years of service at our office. Jeff has also reached his 25th anniversary of serving in the securities industry. Congratulations to all!

"Up the Down Staircase"

Miller & Gay would like to invite our clients to attend the Christian School of York's class of 2010 senior play "Up the Down Staircase." Grace Lehr, Financial Advisor Chris Lehr's daughter will play the lead, Miss Sylvia Barret while Daniel Gay, Branch Manager Jeff Gay's son will play the secondary male lead Mr. Paul Barringer.

"Up the Down Staircase" is based on the book with the same name written by Bel Kaufman. It is the story of an overcrowded, understaffed school with hilarious and heartbreaking problems. The scenario becomes even more challenging as the class is introduced to a brand new teacher, Miss Sylvia Barret.

The play will be held at the Christian School of York at 907 Greenbriar Road, York, PA 17404. The showings begin at 7:00 PM on Friday and Saturday, November 6th and 7th. Tickets are available at the door for \$7 for general admission and \$8 for reserved seating. All proceeds benefit the Christian School of York class of 2010. Direct any questions to 717-767-6842.

Learn more about the Christian School of York at www.CSYOnline.com.



Jeff with Josiah



Andrew, Tiffany, and Josiah



Chris Lehr



Grace Lehr and Daniel Gay

Glimpses of Recovery: An Economy in Transition

We are pleased to direct you to the Raymond James 2009 Mid-Year Economic Update, which you can reach via our website at www.RJFSYork.com. This special section of our website can be found by clicking the banner labeled "Mid-Year Economic Update 2009" at the right of the home page.

The Economic Update offers observations and forecasts on the economy and financial markets for the rest of 2009 and into 2010. Presented by knowledgeable Raymond James analysts and experts, these thoughtful, pull-no-punches analyses are particularly relevant now, given the current state of the economy and the proposals and policies of a new administration in Washington, D.C.

Analysts assess a wide range of U.S. and global economic factors, from crude oil and gasoline prices to housing, the savings rate and how the burgeoning middle classes in emerging economies may affect economic recovery. Helpful charts and interactive timelines compliment the research to truly make visiting the site a worthwhile investment of your time.

We trust you will enjoy this intelligent look at the factors that inform our current financial landscape. Please feel free contact our office with any questions you may have about the Raymond James 2009 Mid-Year Economic Update, your personal portfolio or market conditions.

Economic Update 2009
A Mid-Year Look at the Economy

Glimpses of Recovery: An Economy in Transition

Welcome to the Raymond James 2009 Economic Update - featuring the knowledgeable perspectives of our financial experts as they consider the economic issues that will affect the recovering U.S. economy in the coming months. This is our mid-year look at the major questions confronting investors. If you have any questions, please feel free to contact your financial advisor today.

Click here for a comparison of past recessions, recoveries and an interactive timeline recapping recent economic turmoil.

Track	Expert	Description	Play Download
1	Larry Polgreen, Host	Introduction	Play Download
2	Marshall Adkins, Director of Energy Research	Reduced global demand has allowed oil inventories to surge, but as demand stabilizes, supply may become a bigger issue. Crude demand has weakened basic with the ethanol industry, which must strive for bio-refinery protection. Five years from now, meaningful higher energy costs will be encouraging everyone to become more efficient.	Play Download
3	Chip Buehler, Senior Vice President of Wealth Solutions	The American consumer drives the economic bus, but, ironically, may be extending this recession by cutting back on spending and adopting the savings habit. Many high-net-worth investors supported the new administration. They don't foresee the re-stabilization theme, but the president does offer a change of outlook - he needs confidence. Overall, the future remains cloudy and the president's new administration may lead to this end.	Play Download
4	Dr. Scott Brown, Chief Economist	Mid-year data suggest the economy is beginning to turn - we're still hitting, but at a slower rate than previously. Expect a greatly slow recovery, but some growth in the economy later this year and into 2010. I think most now of 2009 year to get all the unemployment back to work. However, this is a difficult process, with some of the unemployment part.	Play Download
5	Dave Hennessee, Chief Investment Officer in Equity Research	The worst of the economic decline may be behind us, but the recovery may be less dynamic than expected. Adopting good risk management strategies and an intelligent approach to the market will ensure success and critical for investors. Some global strategies and 2010 to 2012.	Play Download
6	Paul Puryear, Director of Real Estate Research	Job growth - not population growth - fuels home sales, so negative job growth is a concern. There are an estimated 12 million households currently under repair - that is, the houses aren't done. That's a significant amount. There are an estimated four million houses in foreclosure. It's going to take time to clear that inventory. There's a cautious outlook for housing and the recent housing numbers begin to decline.	Play Download
7	Jeff Saut, Chief Investment Strategist	Investors are cheered by the market bailing out of the past few months. Data have been strong, but the market is still in a state of flux. It's not clear if the market will rise, though we may not have the growth characteristics to sustain that. But don't neglect global emerging markets - China, India, Brazil, Peru, Vietnam, Mexico, Indonesia. They have growing middle classes, and that is likely to boost consumer spending.	Play Download
8	Paul Walsh, Director of Fixed Income Investments for Eagle Asset Management	The duration trade still remains, but with its completion, all investors, no matter the age, and were heralded, but we should learn some lessons: never take quality for granted, realize that rating agencies can be wrong, understand risks - all the risks - and be aware that some complex securities structures can be too complex. We can expect some volatility, but probably not the hyper-volatility some fear.	Play Download

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