

January 2009

## GENERAL MARKET COMMENTARY

In our January 2008 newsletter one year ago, we mentioned that our major indicator showed a high probability of a bear market and suggested being more conservative. In the past year, we have had the worst bear market since the Great Depression. While we believe that we still have a bear market on our hands, our technical indicators are beginning to show the first possibility of a bottoming process.

The Dow Jones Industrial Average fell 14% between Barack Obama's election and Inauguration Day, the biggest decline ever. The second-biggest drop gave way to a 75% rally in 1933.

The chart to the right compares the Dow's retreat since last November 4th with the 13% slide between Franklin D. Roosevelt's election and his inauguration on March 4, 1933. The black line goes on to show the Dow's surge during FDR's first 100 days. No other newly-elected president since the beginning of the last century produced double-digit gains or losses in the analogous periods.

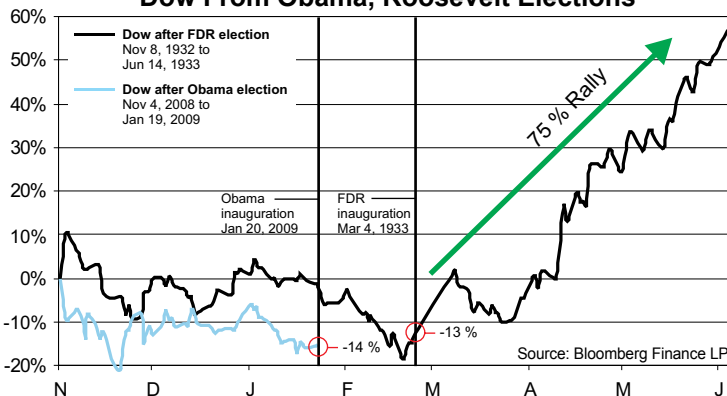
Obama becomes president during the most severe economic crisis since Roosevelt was sworn in 76 years ago. Like his fellow Democrat, Obama plans to create jobs and

boost the economy by investing in roads, bridges, and public buildings and increasing oversight of the securities industry.

Stock exchanges closed for more than a week when FDR declared a bank holiday and enacted reform just days after becoming president. The Dow jumped 15% on the day markets re-opened. We shall see how this plays out, but the market usually acts differently than the majority anticipates.

Since the majority currently expects more stock weakness ahead, we remain cautiously optimistic.

### Dow From Obama, Roosevelt Elections



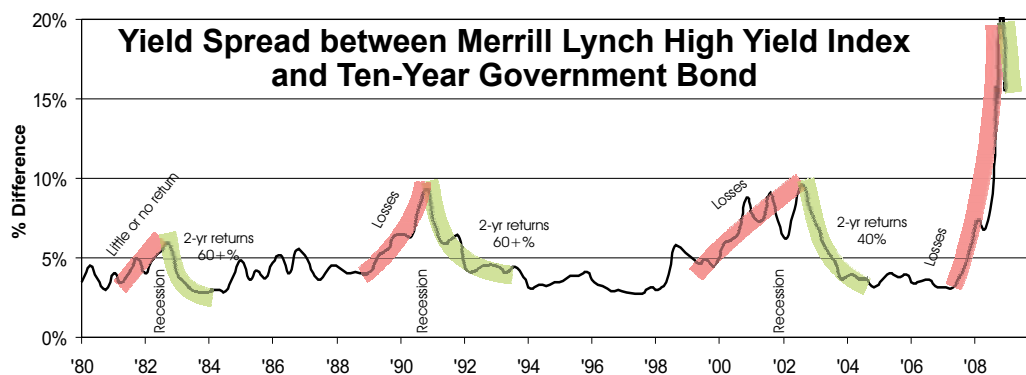
## HIGH YIELD POTENTIAL PERSISTS

We continue to see an opportunity for trading the high yield bond market now that the yields remain at historic highs. As predicted in our last newsletter, high yield bonds have

the potential of outperforming stocks. For example, during the first 20 days of 2009, the S&P 500 Stock Index was down over 10%, whereas the average of 15 equal-weighted high yield bond funds was up 3.3%. The yield spread chart on the right still shows great potential for returns indicating that current high yield dividends are still paying

an annual return of 15.7% more than 10-year government bonds.

While there may be some turbulence ahead, we still see this as an unprecedented buying opportunity.



## NEWS FLASH...

### GLOBAL PERSPECTIVE FUND RATED #1

The Direxion Spectrum funds, which we currently use in our Strategic Allocation Service, finished the year with excellent relative performance. Kiplinger rated the Direxion Global Perspective Fund (SFGPX) number one for all diversified international mutual funds, outperforming the average international fund tracked by Lipper by 19.5% in 2008.

In a separate category, The Direxion Equity Opportunity Fund (SFEQX) placed third for all mutual funds in the mid-cap growth category. It outperformed the average US stock fund tracked by Lipper by 16% for the year.

According to the Wall Street Journal Online, the Direxion Select Alternative Fund (SFHYX) was ranked #3 in the High Current Yield category, outperforming the

**PERSONAL PERSPECTIVE** by Ralph Doudera  
Bear markets are painful. Economic turbulence causes us all to rethink our priorities. Things we have taken for granted may no longer be available to us, and financial losses may cause us to begin to fear and worry about areas outside of our control. This is a normal part of human existence. It has been said that our personal well being consists of having three important areas of our lives in order: our health, our relationships, and our finances. Often people have one of these three areas in disarray. Some unfortunate people may have more than one. Financial distress may currently be causing many people to fear the future.

History is filled with both prosperity and ruin, and will remain that way. What is important is how our attitude reflects our situation. Having our mind focused on God as our provider will lift our vision off the pavement and put it where it belongs.

Nehemiah was a God fearing leader of the Israelites. Facing criticism and opposition, he rebuilt Jerusalem, but he also did not hesitate to guide the Israelites spiritually. It seems that revival began with the Word of God, not with politics. He assembled all the people and told Ezra the priest

average high yield fund tracked by Lipper by 16.5% in 2008.

Limiting losses is particularly important to keep your investment portfolio in a position to benefit from the next bull market. The following table illustrates how dangerous buy/hold investing can be.

#### BEAR MARKET DECLINES OCT 2007 - NOV 2008

Fidelity Magellan (FMAGX)	20 billion	-62%
LeggMason Opportunity (LMOPX)	1 billion	-76%
Fidelity Advisor Growth Opportunity (FAGOX)	1 billion	-65%
Fidelity Diversified International (FDIVX)	3 billion	-58%

- A 75% loss requires a 300% return to break even. (4 times your money)
- A 25% loss requires only a 33% return to break even.

to stand on a high platform to read the Law of Moses from daybreak until noon for all the people to understand. The people's mindset is revealed in Nehemiah:

*Blessed be your glorious name, and may it be exalted above all blessing and praise. You alone are the Lord. You made the heavens, even the highest heavens, and all their starry host,.... the earth and all that is on it, the seas and all that is in them. You give life to everything, and the multitudes of heaven worship you.* Nehemiah 9:5

*...this is a sacred day, Do not grieve...go home and prepare a feast, holiday food and drink; and share it with those who don't have anything: This day is holy to God. Don't feel bad. The joy of GOD is your strength.* Nehemiah 8:10.

So what should we do when the bottom falls out of our lives? Choose to place our HOPE in the character and promises of God:

*Why are you downcast, O my soul? ... Put your HOPE in God, for I will yet praise Him, my Savior and my God... 'For I know the plans I have for you... plans to prosper you and not to harm you, plans to give you HOPE and a future.'* Psalm 43:5; Jeremiah 29:11

*"Steady plodding brings prosperity; hasty speculation brings poverty" (Proverbs 21:5, LB)*

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Ralph J. Doudera, Editor. 2940 N. Lynnhaven Rd., Suite 200, Virginia Beach, VA 23452 (757) 463-7600 www.spectrumfin.com