

The Fed Boys

Last night was the Tony Awards, Broadway's equivalent of the Oscars. "Jersey Boys" and "History Boys" took the Tony's by storm, capturing a combined ten awards. If awards were given on Wall Street, the hands down favorite to win would be "The Fed Boys", starring Ben Bernanke. Prize categories would be: Loosest Lips, Most Frequency of Noise, Overkill of Action, and Most Outstanding Market Anti-Hero.

Once again, the Fed is riding herd on the perceived inflation momentum at the expense of economic growth. Notice I said perceived, since historically the Fed usually overshoots the target and thus the mission, resulting in problems for the economy and the markets. This time it would appear to be no different.

The volatility experienced in May will, more than likely, continue throughout the year. Having a large amount of cash gives not only comfort, but opportunity, at the right time. Avoidance of the markets, however, is *not*, and I repeat *not*, the best strategy.

Dispose of the energy sector as we enter into hurricane season? Sell the energies because they're down? Has energy become the next dotcom? No, no, and **NO!** Energies, unlike the dotcoms, have real earnings, and thus real worth. But as Bernanke continues to talk tough, energy and commodities become pariahs, as though oil had fallen to \$50 per barrel. The last time I looked at my screen, it was still over \$70.

Take a deep breath and fasten your seatbelts. The ride will continue to be very bumpy. But with a solid understanding of the script, when the play is done, they'll be plenty of awards. I wonder if last night's audience wore seatbelts. "The Fed Boys." It has an interesting ring, but could be tough to dance to.

Till next time,

Bill

Securities offered through First Allied Securities, Inc. MEMBER: NASD/SIPC

Email sent through the internet is not secure. Do not use email to send us confidential information such as credit card numbers, changes of address, PIN numbers, passwords or other important information. Do not email orders to buy or sell securities, transfer funds, or send time sensitive instructions. First Allied will not accept such orders or instructions. This email is not an official trade confirmation for transactions executed for your account. Your e-mail message is not private in that it is subject to review by the firm, its officers, agents and employees.