

What we are reading:

'Once upon a Car: The Fall and Resurrection of America's Big Three Auto Makers—GM, Ford and Chrysler'

Author Bill Vlasic has covered the U.S. auto industry for more than 15 years, first for the Detroit News and now for the New York Times. His new book is based on more than one hundred interviews and it provides a terrific inside the boardroom story of survival.

The book goes behind the scenes to portray the men at the top—as well as those in the factories leading up to and during the financial crisis. Rick Wagoner, the CEO of GM, even went as far as secretly proposing a merger between GM and Ford.

The story reads like a corporate thriller with conversations and secret meetings. In the end, we know that Rick Wagoner was forced to resign as a condition of the Government bailout. What we learn is why the bailout worked—and best of all, how Detroit can succeed. The book is a true story of success, failure and redemption.

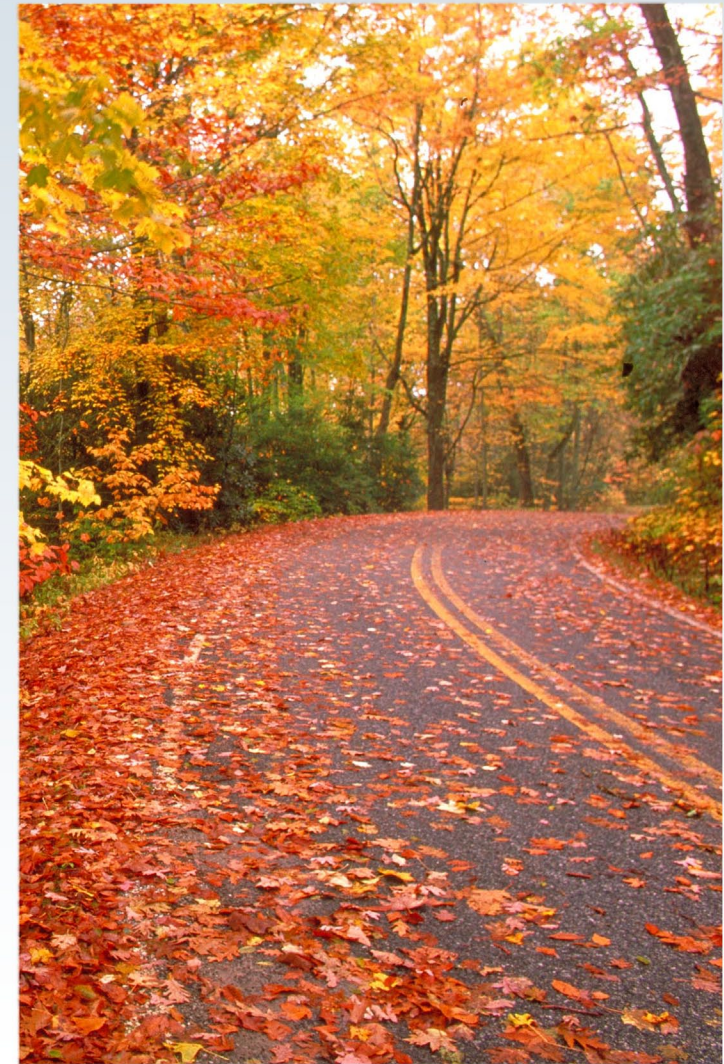
We look forward to the opportunity in helping you reach your goals.

Sincerely,

Carl P. Sherr & Co., LLC.

Family owned and operated since 1964

Review for the 3rd Quarter 2011 & Future Outlook





1. Halloween arrives early – Investors spooked

It was a tumultuous third quarter. Investors were spooked with concerns of a double-dip recession, a growing Euro-Zone debt crisis and a historic ratings downgrade. To a large degree, financial markets were shaken by the actions (or inactions) of government leaders in Europe and the U.S., which makes the outcome more difficult to predict than usual.

2. Extreme volatility returns

The third quarter saw extreme volatility—up and down. According to the Wall Street Journal, “In August and September, the Dow Jones rose or fell by more than 1% on 29 days, and there were 15 days with final moves of more than 2%. The last time markets saw that kind of volatility was in March and April of 2009”.

3. Double digit declines

It was a very tough quarter for stocks. The Dow Jones Industrial Average fell 1500 points to finish down 12% at 10,913. It was the largest percentage decline since the first quarter of 2009. The S&P 500 index was hit even harder, with a decline of 14%. The damage was much worse in Europe due to concerns over bank exposure to sovereign debt. The benchmark French and German stock indexes each fell more than 25%, their biggest decline since 2002.

4. Debt ceiling debate - S&P Downgrade

Some of our problems were self inflicted due to inaction and unwillingness to compromise. The debt ceiling debate was a long and unnecessary process that shook confidence and accomplished little. It was soon followed by an unprecedented step by Standard & Poor’s to downgrade the debt rating of the U.S. to AA+ from AAA. The downgrade hit like a financial earthquake that sent tsunami-like shock waves throughout world markets.

5. U.S. Treasuries in demand - interest rates fall

After the historic downgrade of U.S. debt, something usual happened—interest rates went down. A downgrade indicates a higher risk that a debt will be repaid. As such, interest rates are supposed to go higher to compensate (i.e. Greece). In the case of the U.S., interest rates actually declined the day after the downgrade and eventually hit historic lows. This is credited to an abundance of global concerns that caused investors to buy U.S. government bonds which are still considered very safe.

6. Greece sneezes - Europe catches a cold

At one point, stock markets got really nervous last quarter when it seemed like debt problems could creep into the core countries of Germany and France. Those two countries, which had managed to avoid debt concerns, were now seen potentially at risk. French banks in particular were at the center of a rumor driven sell off. French bank stocks eventually stabilized but it left an uncertain feeling that the European crisis had many more innings to play out.

7. Emerging markets take a breather

Despite strong growth and low debt levels, emerging markets could not overcome world concerns. The MSCI Emerging Markets Index fell 23% for the quarter—and markets in Hong Kong, Korea and Taiwan declined 21%, 16% and 17%, respectively. In comparison, Latin America fared better, with the regions two largest markets, Mexico and Brazil down 8% and 16%, respectively.

8. Outlook

In December of last year, the markets were treated to what we like to call a ‘Santa Claus Rally’—simply because it took place towards the end of the year. For the remainder of 2011, there are several potential scenarios that could help turn things around, such as; better than expected U.S. corporate earnings, a better than expected holiday shopping season and Europe finding a way to stabilize their debt problem. Any of these scenarios would provide a jolt to the upside because investor sentiment is currently very pessimistic.

Did you know?

Ed Sherr successfully completed the 2011 Boston Marathon in four hours and twenty minutes and he was a top fundraiser for LLS Team in Training (Leukemia & Lymphoma Society).

Jennifer Simes received a special recognition award by the Massachusetts National Guard for her volunteer work as a financial counselor in the Joint Family Support Assistance Program.