From the Desk of John Colley

Dear Investor Friends,

The stock market remains on the defensive and the 12,000 DJIA level seems to represent downside support. The Middle East tensions and frictions certainly have had their adverse side effects and the questions that worry investors have cropped up:

1. Can the high price of oil and its ripple effect derail the global recovery?

2. On the U.S. domestic front, can it hurt both the consumer and business owner to the point that the recovery, already fragile, slides backward? Consumer confidence and spending has already been affected with oil over $100.

3. Can the debt problems for the federal and state governments be remedied and how...we are adding to the wall of worry syndrome (especially when higher energy costs seem like another tax)? Will we tap our oil reserves or allow offshore exploration and production?

4. The fallout in the Middle East could, unfortunately, catch on and trouble could spread to neighboring countries like Saudi Arabia, where 32% of the world's oil is produced and the domino chain of events after Egypt and Libya paint more "unknown". We know the financial markets don't like the "unknowns" but if a bad regime and despots are toppled, what comes next? Hopefully, a more democratic government process.

5. The increased volatility and VIX (vectors) are noteworthy and directly tied to the headline news grabbers, but the technicals also point to "contained" volatility (i.e. the markets rebound after a bad day or two), which is an indication of resiliency.

6. The same themes that make good logical sense will provide the best investment opportunities and some patience will be required in order for the profits and the themes to play out. Natural resources, food, infrastructure sectors, commodities, metals, agriculturals, fertilizer, and industrials will be the winners.

If the price of oil settles back and the so-called Libyan-premium relaxes some, the markets will enjoy some relief. Then, investors will refocus on the regular fundamentals that drive the market. That particular scenario is basically bullish because the momentum favors the recovery and GDP growth on the order of 3.5%-3.9% in the U.S.

Large cap companies with global reach and revenues will do particularly well as their bottom lines will increase faster because of the positive emerging market factors. Therefore, the "watch" and monitoring continues. All the best.
JC
3/9/11