

## NEW AMSTERDAM WEALTH MANAGEMENT™

*“Think of your future...Think of your opportunities”*

Tuesday, October 21, 2008  
10:03:30 AM

### Market Insight

- Equity Markets Should Recover...According to the Stars.
- According to a “reliable source” the markets should begin to move upward over the next several weeks. The source stated that Mercury is in retrograde. This is a period of time when all insanity breaks loose. This “insanity” should subside and normal human rational should materialize by the 31<sup>st</sup>. I’m glad to hear we have that going for us!
- ISI, an investment research firm, recently listed actions taken by the US Government to correct our current financial crisis. They include:
  - Coordinated rate cuts;
  - Recapitalization of the banking system;
  - Nationalizing financial institutions;
  - Massive liquidity injections;
  - Insuring deposits;
  - The implicit guarantee of interbank loans;
  - Mark-to-market accounting changes;
  - Fiscal stimulus;
  - Reduced the odds of another major financial institutions failure; and
  - Government purchase of assets.
- The massive liquidity injections and policy maneuvers should allow the financial system to heal. Let hope its quick so we can rid ourselves of our new socialist government. Did I mention to vote Republican on November 4<sup>th</sup>?
- We maintain a market risk neutral portfolio with emphasis on sectors expected to outperform the S&P 500. See our Select ETF List below.
- If you need anything during these difficult times, please don’t hesitate to call.

### Market Statistics\*

- Market Success Probability: **103%**
- Potential upside: **28.67%**
- Potential downside: **-0.50%**
- Percentage of stocks trading above 40 DMA: **4.36%**
- Percentage of ETFs hitting 52 week high: **0%**
- Percentage of ETFs hitting 52 week low: **1%**
- Bond Market Indicator: **-2.31**

### Market Strengths - 9

- Demographics – Growth of the world’s population is healthy for the economy.
- Federal Reserve Policy – Creative actions has allowed money to flow freely.
- Historical – Post election rally?
- Foreign Central Banks – Finally taking corrective measures.

- Valuations – Bullish
- Market Sentiment – Negativity remains high.
- Inflation – Likely to stabilize.
- Commodities – Currently volatile, likely to stabilize over the next two months.
- US Dollar – The worse is hopefully over. Surprising strength.

### Market Concerns - 11

- Administration – Will actions work? Still unknown.
- Free Trade – Be smart, not tough.
- Geopolitical – Global tensions still present.
- Terrorism – An ever-present threat.
- US Political Climate – Not looking good for “Corporate America.”
- Economic/Financial Crisis - Subprime Loans, Energy, Housing Market, Social Security, the Carry Trade, and Heavy Margin Debt.
- Fiscal Policy – Fiscal policy of states like New York and California are scary.
- International Markets – Growth slowing and turning negative in several countries.
- Technical – Downward trend in place.
- Economy – Likely to turn negative in near future.
- Corporate Profits – Constant revisions to the downside.

### Recommended Portfolio Allocation

- Stocks Indices: **28%**
- ETF Select List: **47%**
- Fixed Income/Cash: **25%**

### ETF Select List\*

- Exchange Traded Funds (ETFs) to consider for investment.
- Green for additions. Red for deletions.
  - iShares Software (IGV)
  - iShares Dow Jones Transports (IYT)
  - Rydex S&P MidCap 400 Pure Growth (RFG)
  - SPDR S&P Biotech (XBI)
  - **Vanguard REIT (VNQ)**
  - PowerShares Dynamic Retail Portfolio (PMR)
  - iShares Russell 2000 Growth Index Fund (IWO)
  - United States Oil Fund (USO)
  - **Vanguard Utilities (VPU)**
- Since Inception:
  - Average Return Per Selection: **0.64%**
  - Average Return for S&P 500 (SPY): **-1.43%**
  - Average Return Above S&P 500: **2.07%**
  - Average Holding Period (Days): **146**
  - Total return on Model ETF Portfolio through 6/30/08: **33.19%**

- Total return of S&P 500 over the same time period: **9.85%**
- The Model ETF Portfolio excludes all dividends and commissions.

#### **Return of major indexes – Year to Date**

- Dow Jones Industrial Average: **-30.15**
- S&P 500: **-32.89**
- Wilshire 5000: **-32.90**
- Nasdaq Composite: **-33.26**
- Russell 2000: **-28.61**
- S&P 400: **-32.47**
- Gold: **-4.37**
- US Dollar: **8.42**
- US Ten Year Note (IEF): **1.18**
- Oil: **-22.64**
- Five day, one month, and one year figures in the attached report. Data does not include dividends or interest received.

#### **Fixed Income Yields**

- Short Rate: **1.02%**
- Five Year: **2.82%**
- Ten Year: **3.89%**
- 30 Year: **4.28%**

#### **Economic Data Links**

- [Federal Reserve Economic Publications](#)
- [Barron's Online – Definitions and importance of various economic reports](#)

#### **\*Definitions**

- **The Market Success Probability (MSP)** ratio is designed to reflect the likely direction of the market over the next ninety days. The ratio is derived from the number of ETFs at or near the high or low end of their projected price values. The scale is as follows: Bull Strategies (100 or above), Neutral (11 to 99), Bear Strategies (25 or below).
- **Potential Upside and Downside:** Next ninety to one hundred eighty days.
- **The Bond Market Indicator** is designed to reflect the current state of bond market. The scale: Bull Strategies for Bonds (-10 or below), Bearish Strategies for Bonds (8+).
- **ETF Select List** - Limited to no more than 12 ETFs. Less than 12 holdings constitute cash holdings for remaining positions. Changes are updated as published. Clients utilizing our New Amsterdam Wealth Management™ service are updated of recommendations immediately via email.

#### **Contact Information**

- Emil K. Everett  
New Amsterdam, LLC  
18 Rivers Road

East Hampton, NY 11937  
716.308.4300 or 631.907.2787

**REMOVE:** If you wish to be removed from our email list please reply with "remove" in the subject line.

**STATEMENT:** This report contains timely, proprietary, and privileged confidential information for use only by the person(s) or entity to which it has been addressed. If you are not the addressee or authorized agent of the addressee, your keeping, copying, or disseminating of this report other than to the addressee is prohibited. If you have received this report in error, please notify us immediately by email and return the original email to us at the address listed via the United States Postal Service. This report is subject to the service agreement with New Amsterdam, LLC. If you wish to receive a copy of the current agreement governing this report, please request a copy by certified mail. The information in this report was obtained from sources that we believe to be reliable. The information from those sources may change without notice. We cannot guarantee its accuracy; it may be condensed or incomplete. Nothing in this report is intended to be, or constitutes, a solicitation by us for the purchase or sale of any financial product. This report is for the purpose of discussion only. New Amsterdam, LLC, its principals, employees, and/or agents do hold and will actively trade all the equities listed in this and/or attached, report. New Amsterdam, LLC, its principals, employees, and/or agents do not intend to disclose the extent of any of its current or potential holdings or transactions with respect to any security. You should consider this before investing in any security based upon statements and information, contained in this or any other report, and/or other recommendations from our firm. Investment selections are not intended to represent any exposure of any investor using the portfolio management services of New Amsterdam, LLC. All the recommended strategies should be addressed according to your risk tolerance and investment needs. Call Emil at 716.308.4300 or 631.907.2787 to discuss and what are the appropriate actions for your portfolio. To receive this valuable report visit [newamsterdamlc.com](http://newamsterdamlc.com).

If you are too busy to manage your investments in a disciplined manner, please call Emil at 716.308.4300 to learn about our discretionary **WEALTH MANAGEMENT ACCOUNTS**.