



The Polar Letter

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"If a man gives no thought to what is distant, he will find sorrow near at hand."

Confucius

YOUR WEALTH HAS PROBABLY NEVER BEEN IN MORE DANGER

We believe that "the day of reckoning" in fixed markets is rapidly approaching. This, we feel, will probably mean substantial and possibly rapid interest rate increases in virtually all fixed income sectors.

We have on several occasions cautioned our readers concerning the impending risks in various fixed income sectors, for example our commentary concerning the municipal markets in the Spring of 2009. Since then, facts concerning unsustainable municipal pension obligations have come to light.

Violent movements in the bond markets are nothing new. Between 1979 and February 1980, Treasury bonds fell from about 92 to about 62, a loss of about 30% in just eight months. Between September 1993 and November 1994, Treasury bonds declined from about 122 to about 96, a loss of about 20% in just a year. Between December 2008 and June 2009, Treasury bonds plummeted about 30 points lifting rates from about 2.5% to 4.8%; nearly doubling in a very short time span.

Naturally, during the periods of time noted above, deficits and debt levels (governmental, personal, corporate, municipal and sovereign) were significantly less than today's levels.

Rising rates, in our present economy, would be much like pouring accelerant on an already raging fire. Imagine the cost increase in financing the federal debt alone.

Michael C. Jordan
President

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The firm's senior principal, Michael Jordan has nearly thirty-five years of industry experience.

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