



The Polar Letter

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I contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle.

Winston Churchill

THE BERNANKE MARKET

Nearly every recent administration initiative to assist the domestic economy has been, in our opinion, a “bust” and, in many cases, a very expensive bust. Our administration saved Bear Stearns, let Lehman Brothers go, and forced Merrill Lynch, Wachovia and Washington Mutual into mergers. The administration took control of Fannie, Freddie, AIG, and a few automobile companies. We have instituted in effect a zero interest rate policy, guaranteed bank debt, set up the troubled asset relief program (TARP). Then there is the “porky” \$787 billion dollar stimulus package, which does not seem to have translated into any meaningful growth.

At the end of the day, only one administration policy seems to have “worked”. Flooding the market with dollars. By buying U.S. Treasuries and domestic mortgages, the Federal Reserve has increased the monetary base by about one trillion dollars. Mr. Bernanke did not put money directly into the stock market, he did not have to. With few other places to go, a significant portion of these “created” funds has flowed into the domestic stock market instead of into hard assets. In other words, the Federal Reserve has been the market of late. However, the domestic stock market is much larger than the U.S. Treasury, and government can only “prime” the market for a limited time.

In our view, the fundamentals of many traditional investments, and indeed, investment classes are at the very least impaired and should be avoided except perhaps on a trading basis.

One asset class, which in our view is an exception to this “impairment”, is commodities. We believe that properly managed futures programs represent an attractive opportunity in suitable situations. Such programs have little or no correlation to traditional investments.

Please call us to discuss alternatives to your present investment situation.

Michael C. Jordan
President

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Polar Investment Counsel Inc is a federally registered investment advisory firm and broker dealer, which manages customer accounts on a fee or commission basis. The firm's senior principal, Michael Jordan has nearly thirty-five years of industry experience.

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