



# The Polar Letter

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***“The budget should be balanced, the treasury should be refilled, public debt should be reduced, the arrogance of officialdom should be tempered and controlled, and the assistance to foreign lands curtailed lest Rome become bankrupt. People must again learn to work, instead of living on public assistance.”***

***Cicero 65BC***

We believe that a significant rally in “risky investments” (i.e. traditional equities) may be in the offing. What with the government guaranteeing all manner of things, investors may decide to “get long socialism”, for lack of a better term or as some might put it, “this is partnering with the government”. We, however, believe that the deleveraging process has just barely begun. In our opinion short term bear market rallies should be used as opportunities to reduce exposure.

We would limit debt security positions to short-term (less than three years) **very** high quality paper.

Of interest:

- Quite recently, both Dr. Gary Becker and Dr. Joseph Stiglitz (each a Nobel laureate) said that the American automobile industry needed to be allowed to enter bankruptcy. “We, of course, agree with this thesis.”
- Recently, Meredith Whitney suggested that the US credit card industry will cut well over two trillion dollars in lines, or a decline in credit card lines of about 45%. “Oh my.”
- Over the past few months, many state lotteries have experienced significant sales declines, some 10% in California and 4% in Texas. Lottery sales nationwide fell nearly 2% from July through September (in comparison with the same period in 2007). Lottery ticket sales have dipped only once since 1992 and that was a decline of less than 1% in fiscal 1998. “And, we thought this was a recession proof industry similar to liquor sales.”
- According to a survey by the Center for Economic and Entrepreneurial literacy, 65% of Americans surveyed gave an incorrect answer when asked, “How many reindeer will remain if Santa has to lay off 25% of his eight reindeer because of the bad economy.” Small wonder we are in the shape we are in.

Michael C. Jordan  
President

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Broker-Dealer / Investment Advisory

Home Office: Thief River Falls MN 56701 218.-681.7344 \* 218.681.1329 [fax]

[www.polarinvest1.com](http://www.polarinvest1.com)

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