



# The Polar Letter

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***"I predict future happiness for Americans if they can prevent the government from wasting the labors of the people under the pretense of taking care of them."***

**Thomas Jefferson**

Our opinion is basically unchanged from that expressed in our recent letters we would avoid the traditional equity markets, using any strength as an opportunity to liquidate battered holdings.

We would limit necessary debt investment to very short term paper of the highest quality. We believe that interest rates will begin to rise during the course of the next several quarters, injuring longer-term debt prices. We would avoid any temptation to "reach for yield" in the form of "junk debt" or what we would consider high yield paper, etc. In the present environment, sadly, a great many financial professionals are placing what we would consider risky and unstable debt instruments in client portfolios, most probably due to inexperience perhaps coupled with a belief that "things will return to normal" in the next couple of quarters. A view we hardly share.

We know many investment professionals who express the opinion "stocks are cheap" and actually, we agree, but compared to what? We do not believe the present situation can be compared with prior recessions on a price earnings ratio (or any other ratio) basis. In our opinion, both debt and leverage levels are still far too high, roughly 20% of bank capital is owned by the government and our new treasury secretary could not competently complete his own tax return. We believe that traditional equity markets are at the very best likely to show further vulnerability, quite possibly substantial vulnerability. Additionally we believe there is the possibility that serious problems may arise with regard to commercial real estate, consumer credit debt, and municipal default (with associated insurance industry consequences).

We recommend liquid short-term cash equivalents, a small amount of hard assets in some portfolios, and of course our universe of managed futures programs. Last year the programs we utilized had an absolutely stellar year; one lost less than two percent, all of the rest showed handsome gains, one in excess of fifty percent. Naturally, past performance may not necessarily be indicative of future results. Please contact us for assistance in determining the suitability of one or more of these programs in your 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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