



The Polar Letter

Issue November 13 2009

“Senator, socialism has not worked for 6000 years,” explained Doctor Milton Freedman, “why don’t you give up on it?”

Senator Ted Kennedy rose to his feet and exclaimed, “it hasn’t worked in 6000 years of recorded history because I was not there to run it.”

This exchange took place on the floor of the US Senate, January 20, 1995

A RETURN TO NORMALCY

Many political historians feel that this phrase was largely responsible for Warren Harding’s landslide presidential victory in 1920. Mr. Obama was recently elected promising not a return (to anything), but rather “change we can believe in.”


We have seen many views of late, that things are “returning to normal” what with talk of “green shoots,” improved economic numbers and the like. Then there are the United States equity markets, certainly demonstrating that risk tolerance has returned to the “normalcy” of the past several decades. While we can understand why things might look a bit better for the moment, at least what with federal reserve and other monetary authorities having flooded the system with fiat dollars. As noted in our prior letter titled “The Bernanke Market”, we theorize that the recent rise in the market, and what we believe is a temporary improvement in the economic picture, is a direct result of government stimulus (and nothing else), which is at best, short lived in the total scheme of things. Some of our readers will recall Japan’s “lost decade of the 1990s” (and beyond).

More recently, corporate greed coupled with political and regulatory incompetence, resulted in the banking crisis of 2008-2009 which lead to the demise of several major financial institutions of all types and among other things, a clamor for more regulation and government involvement in our most minuet affairs. We have not forgotten this most recent event, but it would seem that our legislators have. What is more, they are squandering an opportunity to repair and revitalize the U.S. banking system which continues to be dangerously speculative, over leveraged and interconnected. Unfortunately, the congressional failure to deal with the situation assures us the substantial probability of one or more future crisis situations. We do not believe this is change we can, or should, believe in.

We continue to avoid the traditional equity markets except on a trading basis. Presently, we feel trading the long side (even if hedged) is most probably excessively risky. Larger more aggressive equity accounts may consider put selling strategies with regard to some industries and individual issues. Call us for very competitive municipal bond quotes.

We continue to recommend our managed futures programs, virtually all of which did extremely well last year, but many of which have suffered declines thus far this year. That said, the Zephyr Defined Risk program which gained over forty percent per annum in both 2007 and 2008, is flat for the year as of this writing. As an interesting aside, we have begun to note that larger commodity managers have been experiencing difficulty maintaining a semblance of their historical results. We would guess that this is because most of the larger CTA firms are trend followers, and these choppy markets have not been kind to many. Consequently, we have sought out other strategies, and in some cases, smaller programs which are able to trade the smaller agricultural markets.

Please call us for a complimentary consultation concerning your situation.



Michael C. Jordan
President

Please visit Polarinvest1.com – President's Corner for prior letters.

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.

Polar Investment Counsel, Inc.

Member: FINRA, NFA, MSRB, SIPC

Broker-Dealer / Investment Advisory

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

www.polarinvest1.com

The views expressed above are those of Michael C. Jordan and not those of PICI nor necessarily those of PICI's independent contractors, brokers or advisors.

[Click here to OPT OUT of future publication](#)