

"Not the Global Credit Crisis"

Wealth Design International's weekly economic and markets newsletter

Economic highlights of the week:

In the USA, the week following the momentum passing of the "Bail – out" was greeted with surprising indifference. Credit markets remained frozen as banks refused to lend to each other and investors refused to invest in anything but short term Government Treasurer Bills. On Monday the Fed started out making more funds available to banks, and then on Tuesday agreed to purchase commercial paper. Thursday saw an unprecedented Global interest rate decrease, but, it has to be said, all these actions seem to have been "too little, too late".

Until Friday around 3:10 pm Eastern Standard Time that is. That was when the "G7" Finance Minister came out with a unified statement to tackle the credit crisis. It seems that the stock market in the USA

believes the current economic crisis can only be won if a global approach is taken. The Dow Jones Industrial Index went into positive territory before the close, eventually ending 128 points down for the day – not bad considering the week we had just had.

The prognosis now is that the global economy will slow down to around 2% year on year growth in 2009, assuming global efforts to ease credit are effective. Inflation is relatively high in the USA (5.4%) and UK (4.7%) but manageable and less important than averting a full blown global depression. In the USA exports are expected to remain the one positive sign, stemming rising unemployment. Consumer spending is decreasing, which will weigh heavily on earnings in the next year.

The Markets :

It would appear that the market in the USA is at a junction. In one scenario it will bottom out shortly and start to recover to previous heights over the next 2 to 3 years. A great investment opportunity. This is largely dependant on whether investors believe the economy has been brought under control and some degree of certainty can be foreseen, something that is nigh impossible now.

The alternative scenario is that the economy is a way off being controlled, the market will continue to slide, possibly for years to come, and the world will endure a depression not unlike 1929 – 32. Clearly a scenario that we hope to avoid, and perhaps Friday was the first sign that we have? Here's hoping!

"Not the Global Credit Crisis"

Wealth Design International's weekly economic and markets newsletter



Investment recommendations:

Investors should remain in cash, but be ready to move into selected equities and day now. The

choice and quantum invested will depend on your particular investment profile, so be sure you check with your financial advisor before making hasty decisions. Here are some considerations :

Company	Industry	Last trade	Comments
Johnson and Johnson	Major Drugs	55.85	Share price expected to rise to \$76 yielding a return of 36% if this happens in 12 months.
Bank of America	Banks	20.87	S&P foecast price to go to \$26, but could exceed this based on forecast earnings. Banking sector is risky at present, but this looks like a survivor.
Walmart	Retail	50.95	Everyone's got to eat and this is a low cost cash rich business. Target price \$65 – return 28% in 12 months.
IBM	Business services	91.00	Earnings out this week, so beware. Target price is \$135, which is a 54% return if it reaches this price in 12 months.

About Wealth Design International

For more information and archived issues, visit <http://www.wealthdesign.biz> and go to News. The comments, graphs, forecasts, and indices published in "Not the Global Credit Crisis" are based upon data whose accuracy is deemed reliable but not guaranteed. Performance returns cited are derived from our best estimates but must be considered hypothetical in as much as we do not track the actual prices investors pay or receive. Recommendations made are generic and may not suit every reader, please consult a financial advisor before acting on any recommendations.

Would you like to unsubscribe from our mailing list? Click [here](#) and send.