

Some people think this is spooky!!

Quote of the week

“If at first you don’t succeed, find out if the loser gets anything.”
Bill Lyon

Eight years ago this month Sheaff Brock was just about to be hatched, and one thing we were wrestling with was the brokerage firm we would choose to house our client’s assets.

We settled on TD Waterhouse which was not a household name in 2001. The “TD” stood for Toronto-Dominion Bank; a big bank, but little known outside of Canada. A few years later the broker was acquired by Ameritrade, and is now well known as TD Ameritrade. Toronto Dominion bank owns 45% of TD Ameritrade (that explains why the “TD” comes first in the name).

As it turns out TD Ameritrade has been a great partner for us and one of the strongest bedfellows out there. Here are some points from the bank’s website:

- TD Bank Financial Group is one of only five Moody’s Aaa-Rated banks in the world.
- *Barron’s* magazine calls TD Bank Financial Group one of the best companies in North America, ranking it ahead of every other bank in North America.
- *Bloomberg Magazine* ranked TD Bank Financial Group #1 on Bloomberg’s Top 20 Banking Strength Monitor.
- TD Bank Financial Group did not invest heavily in subprime mortgages. A conservative approach to lending is the reason TD was one of the very few banks to avoid these problems.

TD Ameritrade has one of the strongest balance sheets of any brokerage firm and is the #1 discount broker in trades done per day. Strength, stability, great technology, and nice people to boot...we are glad we chose them.

We would say there are a lot of reasons to be hopeful and at least since the spooky low our client accounts have come back with a vengeance.

Even though the press makes a big deal that the market is up 50% from the low, the Dow Jones Industrial average this year is only up 10% and the S&P 500 is up about 15%. The dividend payers as measured by the Dow Jones Select Dividend index are still down for the year. That index is -1% for the year so far.

Sheaff Brock managed accounts and the Auer’s are kicking butt with both feet this year.

Performance year-to-date as of mid-day 9/9/09:

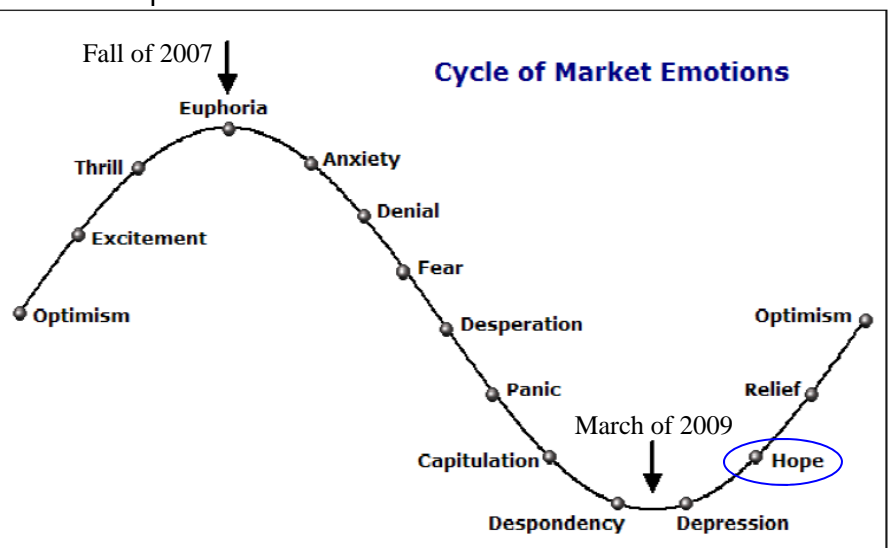
Sheaff Brock Growth Model	+28%
S&P 500	+15%
Dow Jones Industrials	+10%
Sheaff Brock Dividend Growth	+12%
Dow Jones Dividend Index	- 1%
Auer Growth Fund	+33%

We know we have a ways to go before we get back to where we were in the fall of 2007, but we are confident that we will get back long before the investor emotion cycle hits euphoria again.

Six months ago in March, was the last time we put this chart in the newsletter. At the time we were making the argument that investors were clearly despondent and that the stock market was bottoming. The S&P 500 did in fact bottom in March at the spooky level of 666.79. If you round up to 667 it’s not as spooky.

We went to great lengths to make sure our clients held on, and it turns out we were right since the world didn’t end and stocks have rebounded substantially.

We would guess investor emotions are around the HOPE level today...maybe inching toward RELIEF.



One item EVERYBODY thinks is in the cards is inflation. But one of our favorite old sayings is, "What everybody knows ain't worth knowin'." There are some real mixed signals in the inflation camp.

Copper is a pure industrial metal. It isn't used for much of anything except stuff made in factories. It isn't used for speculation like gold, and the price is influenced more by supply and demand than by hysteria. The price resurgence in copper definitely tells us the global economy is recovering. Some people think it is also saying it is evidence that inflation is coming back.

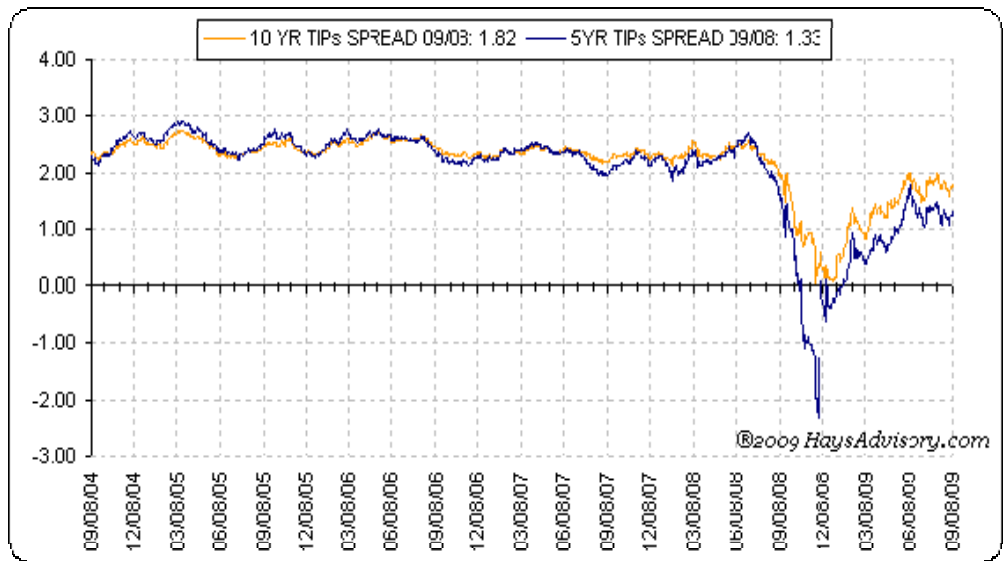


But if inflation were a huge threat, the TIPs spread should indicate it too. TIPs are Treasury Inflation Protection notes that pay an extra yield for inflation.

You can see the spread is between 1% and 2%, lower than the spread was in 2004 through most of 2008.

So the TIPs market is saying that inflation is a small threat.

10 year Treasury bonds are only yielding about 3.5%. This is a HUGE market. Do you think giant institutions would be willing to accept 3.5% return for 10 years if massive inflation was lurking around the corner?



A lot of smart people think inflation is coming a ways down the road...but quite a number of really smart ones aren't at all convinced of it. TODAY there is a lot of *speculation*, but there isn't a lot of concrete evidence that the monster of inflation is hiding under the bed. Sleep tight...we'll try to keep kicking butt.

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