

Leigh Baldwin & Co.

Investment Brokerage

It is now mid-summer 2012, and all eyes around the world are on London as competitors from all over the globe compete in the Olympic games. While viewers witness feats of strength and speed, all eyes on Wall Street are on QE, and that is not the Queen of England. The QE that traders are betting on is QE3 or the Fed's third round of quantitative easing in order to stimulate a struggling economy. Ben Bernanke has made it perfectly clear by his words and, more importantly, his actions that he will do whatever it takes to stimulate our economy. With interest rates effectively negative, QE3 may be the last kick for the economy heading to the finish line.

With negative news coming from Europe on a daily basis, election venom picking up steam, and earnings forecasts being scaled back slightly, the notion of a QE3 has rallied stock investors. For the first seven months of the year, stocks have shown remarkable resiliency and are solidly positive for the year with the S&P up about 11% and the Nasdaq exchange higher by 13%. Given the headlines and the lack of participation by the average investor, these are very good numbers. Combine the gains in stocks with the 3.7% return in a typical aggregate bond index and investors are having a gold medal year so far.

Those are two important words, "so far." Where do we go from here? Obviously, stocks are being influenced by the daily news takes and similar to the past two late summers and early falls; we could see a downdraft in stocks. Slowing growth in China may also trigger some traders to sell. I believe that stocks and in particular US companies, still offer the best risk reward in a market of skittish computer trading and zero percent interest rates. Quality companies, businesses that are increasing earnings, increasing dividends, and are creating world changing products and services, should be owned by long-term investors. The new QE going forward should stand for "buy companies with Quality Earnings" and let the noise of Europe, elections, tax cliffs, etc. be silenced. It is time to proudly stand on the podium and buy American businesses on any dips in these skittish markets.

As always, thank you for your continued business and let's make a plan to meet personally over the next several weeks to review your investment strategy.

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