

*From the Desk of John Colley ...*

**The U.S. Economy is Waking Up ☺**

***Happy Spring!*** Many economic statistics now point to a U.S. recovery that is gaining traction and showing some green sprouts and buds.

Last year, a series of shocks (natural, geo-political, and economic) definitely undermined investor confidence and actually derailed the rather weak recovery for several months. Any rallies were short term and stunted ... but we are now transitioning. The U.S. is certainly not immune to those types of shocks and the depressed sentiment it casts, but the domestic economy does appear to be strengthening against the original backdrop of slow, irregular growth. There could actually be a positive surprise, hence the reason for our cautious optimism.

The bullish overtone is welcome but it's not all "off to the races" with a robust recovery. Three out of ten industry sectors in the S&P 500 Composite are still hurting and another one appears to be turning the corner but still displays a fit and spurt volatility (i.e. Real Estate, Construction, Home Building) is teetering. Selected financials have turned an important corner in terms of ROE/ROA and bottom lines, so there are some real opportunities out there.

Rising tension in the Middle East is once again being reflected in higher oil and gasoline prices, which has acted as another tax on the consumer and business owner. Prices of goods that ship or packaged products, including food and other perishables, get tagged with higher prices because it now costs more to get it to the store or market. Personal debt levels are still high (but better) and the national debt and various state deficits add an overhang of concern. These headwinds need to be dealt with and resolved ... but at least the "yellow brick road" is visible again.

JC  
3/15/2012