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PLANNING

Dear Clients,

This marks the end to the third consecutive week of declines for stocks all over the world, and yet another week with mostly good news: Chain store sales were up 3% in January, the jobless rate didn't get any worse, a strong majority of the companies quarterly earnings reports were surprisingly high (all over the world). However, news of Greece, Spain, & Portugal set another emotionally negative tone.

The markets dropped because they feared that these three countries would not be able to issue new government bonds (borrow money) to pay for their government's deficit spending or that the government may not be able to payoff existing bonds that will mature in the near future. Greece is the "worst" of the three so let's focus on them. Greece runs a budget deficit of about 12% of Greece's GDP. For reference, the USA runs about 10-11%. This week, Greece's Prime Minister, George Papandreou, received approval from the European Union (EU) for a plan to reduce the deficit to 4% by the end of this year, and will do this by freezing pay on all government employees, raising fuel consumption taxes, and raising the normal retirement age.

Here's some perspective.....With all the talk about how bad it is in Greece, Greece was able to borrow money this week at a 6% interest rate. While that is 3% more than the German government has to pay to borrow money, it is still "cheap" for Greece to borrow money. Even with all the "stimulus spending" which has increased the deficit spending all over the world, the average EU country has an average budget deficit of 6%, or just about half of our deficit. Sure, the previous deficit spending is a bad. However, getting it under control should be a positive move going forward and I would certainly applaud our government for doing the same. Even if Greece finds that it can't pay its bills, both the EU and the IMF (International Monetary Fund) are there to help. However, the point is that Greece is looking to mend its ways and while that hurts in the short-term, it is the right thing to do in the long run.

Why don't we hear about this so much in the Asian economies? One of the reasons is that they went through a "financial crisis" in the 90s and have already revamped their methods and rules. In addition, the average Asian household has a savings rate of about 30% and we know that the Asian governments are the ones who are in the financial position to be the main lenders to the United States government. The Asian companies, governments, and people are generally in a stronger financial position than their western counterparts. That is one reason for my optimism for investments in Asian companies.

Remember, the news media makes everything sound sensational and they do it on purpose. Sensationalism = More Viewers = Higher Ratings = Higher Advertising Revenue.

I am looking at this as a potential buying opportunity.

Please let me know if you have any questions and I hope you all have a great weekend.

Best Regards,

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