

ARISTA

INVESTMENT ADVISORS, LTD

Registered Investment Adviser

June-July 2008

Shock!!

Aftershock!

After Shock....



Source: http://commons.wikimedia.org/wiki/Image:Chaetsu_earthquake-earthquake_liquefaction1.jpg

Life Moves Ahead. It Always Does.



The market shock was in March, this is the aftershock. Soon we will be “after.” This has been a year for the speculators and traders, who either thrive or self-destruct on daily black or white reactions to the current climate of fear. If they don’t believe in the fear, it can’t turn out to be untrue. Investors, on the other hand, are awaiting the big opportunity to invest more at the big “sale.” This is the way of markets and the way it has always been. When fear is pervasive, investors get prepared. This is the contrarian way of the great investors.

Sub-prime mortgages, housing prices, credit markets, recession, inflation, food, oil....and why not include climate change, asteroid collisions, Old Sol going SUPER NOVA and of course, the implosion of the universe. When each day is presented to us as a new disaster, how do we keep perspective and maintain our confidence in the future? The answer is simple: remember the past and how much we and the rest of the world have accomplished during our lifetimes, even in the face of great adversity.

Right now, as you read this, economies in Latin America, Asia and Eastern Europe are thriving and YOU are most probably invested in the great companies of America and the world that are benefitting from this wealth creation. We are only at the beginning of this great prosperity.

I understand...in our heads we get it, but in our emotions we might as well be on the flight in the movie comedy “Airplane!” where, in a hilarious scene, the depressed and guilt-ridden character, Ted Striker, is telling his endless tale of woe to the passenger in the next seat, whose only escape from the relentless misery, is to.... If we simply believe all the doom and gloom, we might as well stuff our wealth in the mattress and go back to hunting woolly mammoths.



255 Washington Avenue Extension, Suite 106, Albany, NY 12205
Telephone (518) 464-0319 Facsimile (518) 464-5004 Hawaii Telephone (808) 531-5665
E-mail aristaadv1@aol.com www.aristaadv.com

Inflation, temporarily, is getting real. Weak companies are restructuring.

It's true that food and energy costs have had a real impact on the basics of everyday life. It hits hard when we fill up the gas tank and shop for food. Chances are we have entered an era where large adjustments to the way we produce and use food and energy will continue. In a world where billions are entering the middle class, this was inevitable. Our economy and our lives have been cushioned by the massive economic growth around the world. So far we have all benefitted from buying less expensive goods and services from emerging economies. And we have greatly benefitted from selling our goods and services to the world, as a result of a lower dollar. So far, we have imported dis-inflation and higher profits. However, we aren't immune from the need to respond to the inevitable rebalancing of economic, political and military power. To use some jargon, we are at an inflection point where the U.S. has to regenerate its economic infrastructure to remain one of the beneficiaries of this rapid global transformation.

All of these real issues are self correcting. Boom, Doom & Boom...

Our economy is extraordinarily resilient and creative. Remember when Japan was going to "own the world" and we were the "rustbelt" economy? The inevitable, massive restructuring hurt many people and industries and it most probably will again.

Our "smokestack" and "iron age" industries will evolve or disappear, at least as U.S. owned companies. Autos will always be a large manufacturing business in the U.S. Japanese and German autos manufactured in the U.S. are thriving. The future of GM, Ford and Chrysler is uncertain. Only the most innovative steel producers here are surviving. Most steel is manufactured elsewhere.

Our financial services companies were the world leaders, at least until they started to produce and export toxic products. These "emperors" or, as they prefer to be called, "masters of the universe" not only lost their shirts, they lost many of their investors' shirts and now stand naked on the (Wall) street.

We have had at least 20 years to build an alternative supplemental energy infrastructure. We wasted it as we all eagerly enjoyed cheap energy. Now we have no choice but to pay the current price for energy and we still have to build the future infrastructure. We will. The smartest oil producing countries are using their burgeoning wealth to build economies not dependent on oil revenues. They are doing what we should have done and will now have to do.

We are problem solvers. Our economy is huge, so huge we can't comprehend it, yet it will continue to transform as the global capital markets and economies continue to integrate.

This aftershock is "testing the lows of March." Indexes don't tell the whole story. Most are heavily weighted with financial service companies, whose misery is well earned and deserved. The surface appearances are ugly, the realities are significantly more positive. It's the great failure of our times to be so fearful in the face of such great unfolding human creativity and possibility, and the amazing achievements we so casually take for granted. Stay confident. The ship is sound and we have traveled through rougher waters than this.

As always, here's to **YOUR good wealth!**

Jerry!

June-July 2008