



## FAMILY MANAGEMENT CORPORATION

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# CAPITAL IDEAS

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## **“Unbearable”**

Approximately 8 million homeowners have negative equity – that means they would owe the bank money if they sold their homes! If home prices decline another 10%, the number would double to nearly 16 million homeowners.

The events that have transpired in the financial world over the last few weeks are unprecedented, and ultimately raise the question, "Was the repeal of The Glass-Steagall Act really in the best interest of the nation?"

Well, this has certainly been The Year of the Rat. Whom do you think we mean?

Web searches for the word "recession" are up 155% year over year. I think that puts an end to the question if we are actually in one!

Even though retail sales are reportedly up, the reason behind it is inflation. Americans are spending 13% more on food and energy than they were a year ago, and gasoline prices are up 22%. Department store sales are declining at a rate of 3%, while women's apparel stores now take in four times as much revenue as stores dedicated to men!

Speaking of smoking, nearly half of the world's smokers live in China, India, and Indonesia. More people smoke in China than live in the United States!

Egypt's young are turning to Islamic fervor because of a deteriorating economic climate; in 1986 there was a mosque for every 6,031 Egyptians. By 2005, there was one mosque for every 745 people! Egypt's political climate is an important barometer for what will transpire in the Middle East.

For the first time in history more than one in every 100 Americans is in a prison or jail. States spent \$49 billion on correctional institutions last year – up from less than \$11 billion 20 years ago.

The primary reactions to Obama and Hillary have been fascinating. The Obama phenomenon, especially among younger voters, is remarkable.

This is truly a presidential race with "electile dysfunction". What is that you ask? It is the inability to become "excited" about any of the candidates!!!

The Federal Reserve acted wisely to stem the fear of investors. Nevertheless, there is a structural problem in the housing market and our society is over leveraged. The leverage will not disappear in a month, two, or three. It will take a few years to work through the excesses.

As we have said before, there are a lot of good buys in this market.....goodbye to your house, goodbye to your car...

It is important to be hedged and well diversified in your portfolio. Be thoughtful about ALL of your investments.

In the meantime, spring is here and will bring warmer weather and a season of heated political debate.

We will stay tuned!

As always,

Seymour W. Zises

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