

Ω THE OMEGA FINANCIAL GROUP

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Opinions & Facts...

Post Thanksgiving 2008

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Quote of the day... “We had a bad 10 years, so now we’re going to have another bad 10 years? I’m overwhelmed by the emptiness of that idea. The history of the market is precisely the opposite. If you have a bad 10 years you are likely to have a good next 10 years.”

Jeremy Siegel, *Stocks for the Long Run*
Quoted in FORTUNE, November 10, 2008

The Most Mysterious Quote of the Month

“When Barack Obama (Columbia, Harvard Law) takes the oath of office, his wife Michelle (Princeton, Harvard Law) looks on proudly. Nearby, his foreign policy advisors will stand beaming, including perhaps Hillary Clinton (Wellesley, Yale Law), Jim Steinberg (Harvard, Yale Law) and Susan Rice (Stanford, Oxford Phil. D.). The domestic policy team will be there, too, including Jason Furman (Harvard, Harvard Ph. D.), Austan Goolsbee (Yale, M.I.T Ph. D.) Blair Levin (Yale, Yale Law), Peter Orszag (Princeton, London School of Economics Ph. D.) and, of course the White House counsel Greg Craig (Harvard, Yale Law).

“This truly will be an administration that looks like America, or at least that slice of America that got double 800’s on their SAT’s. Even more than past administrations, this will be a valedictocracy - ruled by those who graduate first in their high school classes.

“If a foreign enemy attacks during the Harvard – Yale football game anytime over the next 4 years, we’re screwed.”

David Brooks, *New York Times*
Quoted in the *Fort Worth Star Telegram*
November 23, 2008

BACK TO SENSIBLE FINANCIAL ENGINEERING

Welcome to the age of deleveraging. Everyone is so scared of losing his job, he is cutting up his credit cards, paying down his balances, and sitting on his wallet. Best Buy and a couple of dozen other retailers are

making headlines these days, slashing their sales forecast, while journalism presents this as an unalloyed disaster. But it isn’t necessarily so. People just won’t take on any more credit card debt. This is a good thing.

Bear Markets

The traditional definition of a Bear market: “A Bear market is a period of time during which common stocks are returned to their rightful owners.” A corollary to this definition: “A Bear market is a period of time during which people think, ‘this time it’s different’, sell their common stocks – at prices which will never be seen again – to people who know that this time it’s *not* different.”

Here are comments from a cadre of our advisors...

There are several characteristics of a Bear market which are common, and since we are in a Bear market (or have been) let us cover what these commonalities are. First, Bear markets are natural, a part of the never ending cycle of investing. One of their characteristics is that they occur as economies alternately cycle above and below their long term sustainable trend lines, *overshooting* their capacity in optimistic expansions and then *undershooting* them in frightened contractions.

One wag points out that it’s human nature that when an economic enterprise is worth doing, it’s worth *overdoing*.

Bear markets are pretty common. Since the end of WWII we’ve observed 13 of these in 63 years. This seems to imply that they occurred on a average of about 1 year in 5. At that rate you’ll see around 8 of them in a 40 year career in working and saving. As we remind each other here at Omega, “Get used to them, they’re going to come as long as we’re in this business.”

A Bear market is always the temporary interruption of a permanent up-trend. Each Bear market that we’ve observed is characterized by the media as an absolute

end of the world scenario. But remember, the interruption is always temporary.

During the Bear markets from October of 1987 to the present, people worried, panicked, sold their stock and common stock funds in the belief that “things would never change”. Then came roaring Bull markets when people thought that “a tree grows to the sky” and that “things will never change”. But when the Bear came out of the woods (once again) everyone said “this time it’s different, the market will *never* go back up”. As we’ve said in letters prior to this one, we know what happens at the end of a Bear market: John Wayne walks back in, takes over the town, brings law and order and the Bull market continues. However, eventually some outlaws get the upper hand and things turn down. Well, you know the rest... Once again you see that familiar walk down that dusty street. (Maybe this time it’ll be James Bond rather than John Wayne.)

OPINION

MYTH AND REALITY: A HUGE DIFFERENCE

It would be well if each of you would take the time to read the attached article by Nick Murray, one of our long time advisors here at Omega. While it may take you some time to get through it, I think you will see what made oil go from almost \$150 a barrel to approximately \$50 a barrel at this writing.

We’re asked by many people what causes the market to be as volatile as it is. We can guess, but that’s all we can do. We simply don’t know. One thing we are sure of is while we’re not overjoyed with the federal government becoming involved in the free market; decidedly it was important that they do so at this stage. But as all governmental actions do, they will probably go too far. It is during these times when the *Wise Investor* utilizing well tenured and educated managers who deliver low cost management with low turnover in the portfolio, utilizing extra cash to make purchases, will be buying shares at the best bargain prices perhaps that he will ever see again in his lifetime. And those of you who have made the decision to stay invested, can look forward to an even brighter future since you already own those shares, many of which were acquired by reinvesting dividends.

So read the attached Nick Murray column and be patient. The financial problems of today were not created in a week and they will not disappear in a week.

And oh, yes. If you have money just “sitting there”, and don’t invest during this gigantic sale, in a year from now you’ll probably wonder why you waited.

That’s our take. Yours is welcome.

John E. Hawley *John Dickens*

Tom Hawley *Sammy Bryant*

Important!

If you are a client of Omega and would like to review you account, please call us. Email is fine but we believe speaking directly is more appropriate.

We are aware that many of our clients have never been through such a long and tedious bear market and might be more comfortable with a more extreme reallocation. People with different “time lines” have different goals. Please feel free to call and let us help you in the decision of rearranging your portfolio.

The Omega Financial Group

2008 IRS Benefits and Compensation Limits

401(k)/403(b)/457 Plan Deferrals	\$15,500
“Catch Up” Contribution (over age 50)	\$5,000
SIMPLE Deferrals	\$10,500
Traditional or Roth IRA	\$5,000
“Catch Up” Contribution (over age 50)	\$1,000

Deadline for maxing out your salary deferrals is December 31, 2008.

Information in Opinions and Facts is derived from what we believe to be reliable sources. Some comes from the internet some from a Nick Murray publication and various Newsletters.