

# summaries



the official newsletter of sigma investment counselors

September 2006

## Father's Day

The anniversary of the 9/11 attacks was marked by somber reflection throughout most of the United States earlier this month. While we are perched in the Midwest, our financial services roots tether us to New York City. As a result, this heinous act, while sparing us the physical agony of those direct victims, did crush our psyche in the days and weeks that followed. I recall my own sense of humble resolve not long after the attacks though, and the stark realization that I could never allow that act of cowardice to cause me to alter my lifestyle, or ask my family to, in any manner. This is what the terrorists were hoping for and the collective resolve of the whole nation since then has been encouraging.

Of course, the reliving of the attacks on 9/11, with its far reaching and magnanimous impact, does force serious reflection akin to that which we experienced in the days and weeks immediately following the attacks. Remember the bevy of articles in the aftermath of the attacks that spoke to the massive societal shift wherein family and relationships took center stage? Recall the stark increase in the number of wedding announcements shortly thereafter? Some of this was short-lived. For many, life resumed its normal character when it became apparent that terrorist attacks on US soil would not become an everyday occurrence.

I have tried to keep the pounding tide of everyday life since that September day from eroding those sharp sensations of nurturing love with friends and family. I have vigilantly tried to recognize and savor the joyful, but fleeting, moments of nuclear family life. In doing

so, my wife Shari, and I have earned the bountiful, but bittersweet dividend of seeing our children passing the threshold to independence and adulthood.

Imagine my immersion in the pride pool as I sat in the end zone seats of the "Big House" this past April, attending my oldest daughter Amanda's commencement at the University of Michigan. (Those of you who have been long time friends will probably find this amazing, the swift passage of time; could Amanda already be graduating from college?) CNN Chief International Correspondent Christiane Amanpour delivered the commencement address. It was fitting, given the geo-political pyrotechnics that have emanated from the Middle East of late and the fact that Christiane is a native Iranian who fled that country after the revolution some 30 years ago and has reported on most of the crises that have enveloped the globe during these past several years. Although I may not have agreed with all of her comments, she had near unparalleled perspective and in sum, gave all the attendees profound points to ponder. I hoped Amanda, and her classmates, were listening closely when Christiane challenged them, saying: "Whatever you decide to do, whether you go into business, politics, arts or science, do well for yourselves and your families. But I ask you to consider also doing good for your communities, your countries and for our world. Consider giving your business, whatever it may be, a social face. As well as passion and commitment, find in yourselves tolerance, open-mindedness, understanding, patience as you look at your world and your place in it."

# summaries

So, Shari and I are right now at the midpoint of the "college tuition marathon." Ashley, a junior who had her academic career temporarily suspended at the University of Michigan with an illness this past winter, is back and firmly ensconced in her studies. I am proud of her rapidly developing intellect. She is a critical thinker and approaches her class work with a sense of real responsibility to get it right, not just get it done. She is a prolific writer and I enjoy editing her papers. In a strange collision of adult onset (for her, not me!) and wireless technology, she and I had an intense email debate about the merits of the recently completed business combination of telecommunications industry titans Alcatel and Lucent – she from the comforts of our front porch with her laptop computer in hand and I from the Columbus, Ohio airport, also with laptop in hand. What an absolute pleasure and treasure to have material, passionate discussions about meaningful developments with your adult children!

Of course, as we are at the mid point of paying college tuition, that means our "baby," Megan, is a college freshman. We dropped her off at the dorms at the University of Michigan in late August and then returned home empty. Very empty. We consoled ourselves with the recognition that we would not be empty for long. More on that topic a bit later. With her own steely resolve, Megan hopes to pursue a career in medicine. Since the death of her grandfather to cancer five years ago, she has held on to this dream - hoping to be the one to find a cure or assist in finding one. Assuming she does continue her studies in a medical school, I will really not be at the true tuition mid point. But it is this delusion that I am harboring so as to ease the mental burden I carry! At some point I really will be almost done.

I chuckled at the response Megan sent to my first email to her as a student at Michigan in early September. I was just casually checking in with her and trying hard not to be an overbearing, doting dad. Note that this email was sent on the morning of her very first classes. She responded after that first college class and it was a classic response. She wrote:

*i already have 3 papers and workbook exercises along with an essay to read. i still have two more classes to go. i'm dying over here. today is definitely my hardest day of the week. hopefully i don't get too much more homework.*

I still chuckle each time I read it.

For those of you who have followed my periodic family writings over the years via these Sigma Summaries, this was a quick update of our changing household and I am grateful that you have allowed me to indulge myself. As I have often heard the wise ones opine, when one door closes, another opens.

Indeed, a new door has just opened for our family. While I began this piece with comments about the mass deaths and destruction of 9/11, I conclude with a note of hope. The hope of new life. On September 19, 2006 Shari and I witnessed the birth of our first grandchild, Ava Grace Lehnert to Amanda and Jeff. Mom and baby are healthy. So once again, God has bestowed even more blessings upon us. Rest assured, more to come.

— Bob Bilkie, CFA ■

# The Economic and Market Environment

**In Sum:** The present investing environment appears reasonably constructive and equity returns have firmed in the last several weeks. Geo-political tensions have abated ever so modestly, economies continue to expand around the globe, interest rates are steady and corporate profitability has been strong. US mid-term congressional elections do offer some added uncertainties as the campaign season unfolds over the next several weeks.

**Geo-political:** The plethora of geo-political tensions that have dominated headlines for the past several months (Iran, Iraq, North Korea, Venezuela and civil strife in Sudan) continue to make their presence felt. The standoff over concerns about Iran's nuclear ambitions seem to be benefiting (or, not worsening) from continued dialogue, led by the Europeans. As this letter was being written, an emerging issue arose when the military launched a coup in Thailand. The repercussions of this action may not be known for several weeks or months.

**Economic:** Global economies continued to expand on a real basis through the second quarter of 2006. Of the 52 industrialized and industrializing economies included on a Bloomberg Economic Matrix, all showed growth for the quarter ranging from 11% for China to 0.9% for Portugal. It would be reasonable to conclude that third quarter 2006 growth moderated across the globe due to the impact of higher interest rates and energy prices that rose dramatically during the summer, but which have moderated in recent weeks.

**Monetary:** After a protracted period of raising interest rates, for the second straight meeting the Federal Reserve Board kept the fed funds rates unchanged in September. Economic cross currents, including slowing growth in the housing sector in the United States and steaming industrial development in China, make the job of the Fed, and the other Central Bankers around the globe, much more challenging. Inflation containment is the primary concern, and the above-mentioned cross currents make this a difficult task.

**Fiscal Policy:** The federal budget deficit in fiscal 2006 improved markedly from original projections as the year unfolded, largely due to heavier than anticipated tax collections. Tinged with election year politics, the Federal Funding Accountability and Transparency Act was passed by the US Senate in early September. It will now go before the full House of Representatives. Passage may signal a change in fiscal policy following the uproar over federal earmarks. Or, passage may precipitate the adoption of new methods by the government to obscure the beneficiaries of, and accountability for, federal spending.

**Equity markets:** Following a swoon in late spring and early summer, global equity markets have been regaining their footing. A meaningful test of sentiment was lobbed at the securities markets when a large hedge fund announced a stunning \$5 billion loss in a two week period in mid September from a decision gone awry, and there was nary a flinch. Corporate profitability has been strong and with a more benign Fed, the securities market outlook is reasonably constructive.

**Fixed income markets:** There appears to be little catalyst for a major rise, or decline in interest rates over the very near term.

As of September 20, 2006

local independent personal accessible  
interactive creative local independent personal  
knowledgeable thoughtful ethical experienced

This report is for informational purposes and should not be considered investment advice. The information is current only as of the date published and may change without notice.

**Please remember to contact Sigma Investment Counselors if there are any changes in your financial situation or investment objectives.**

26261 Evergreen • Suite 455 • Southfield, MI 48076 • tel (248) 223-0122 • fax (248) 223-0144 • [www.sigmainvestments.com](http://www.sigmainvestments.com)