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DEAR FRIENDS,

- Equities eke out another sector based advancement for the month
- Liquidity remains high, yields low, in the fixed income markets
- We believe he Fed will not announce another round of quantitative easing on the eve of this weeks Fed meeting

I pen this recap on the eleventh anniversary of 9/11. As I'm sure you can as well, recall exactly where you were when the planes started hitting our buildings. My thoughts go out to all those affected by the tragedy.

August turned out to be somewhat event-less for the month. Equities posted gains pretty much across the board. Small, Mid and NASDAQ listed companies advanced significantly over Large Cap counterparts. International indexes also out performed Large US companies during August and the beginning of September. Year to date, the leader has been the NASDAQ, with a 15% advancement. Volumes continue at moderate levels, with daily volatility easing from earlier this year. Liquidity in the fixed income markets was strong, with yield continuing at historical lows.

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Index [1]	July'12	2012 YTD
S&P 500	1.96%	11.80%
Dow	.64%	7.10%
NASDAQ	3.70%	15.40%
S&P 400 Mid Cap	3.30%	10.50%
Russell 2000	2.80%	8.27%
MSCI EAFE (Intl)	2.48%	2.10%

Commodity price [2]	8/31/12	1/1/12	1/1/11	1/1/10	1/1/09
Crude oil	$96.25	$98.98	$73.71	$79.74	$95.98
Gold	$1729	$1566.30	$1066.42	$1097.48	$833.52

* Past performance is no guarantee of future results.

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Unemployment continues at the 8% range with many experts pegging the true unemployment in the 14% range.

We are starting to see some discussion on whether or not the Fed will commence a third round of quantitative easing. It is widely believed the Fed will not announce this later this week. In his Jackson Hole comments last week, Bernanke said the first two rounds of easing created two million new jobs. By the math given by Bernanke in that speech, it cost the Fed approximately $1mm for each job created.

The second reason we believe the Fed will not commence another round of easing, is we are in the midst of the election season. This move would be overly political at this time. The Fed is by nature an apolitical entity, however an action like this in a non-crisis circumstance, would most certainly reduce the credibility of the Fed.

The final major reason we believe it is unlikely for another round of easing at this time has to do with Europe. Recently ECB President Draghi announced a plan to purchase foreign debt to artificially reduce yields. Dubbed the Outright Monetary Transaction (OMT), essentially they will print money to facilitate the debt purchase. The Euro most likely will devalue with this action, propping up the USD. As we discussed earlier, US markets have shown YTD gains, without needing or expecting an additional stimulus package. Essentially leave well enough alone for the moment.

September economic releases as a whole have been no different from the past few months. The US economy continues to grow at a snail's pace, in a downward trend from Q1 to Q3. Unemployment continues at the 8% range with many experts pegging the true unemployment in the 14% range. Leading indicators such as Initial Jobless Claims are staying well below the 400,000 threshold. Essentially we continue to inch along out of the recession. Businesses and the Market continue to hold its collective breath until the election is over. It can't come soon enough as far as we are concerned.