

Glaze Capital Insight

Quarterly Newsletter for Successful Investors

Helping Busy Successful People Organize Their Financial Affairs and Plan for the Future

www.glazecapital.com



Rick Glaze, President of Glaze Capital Management, Inc.

Special Note to Clients

The stock market has been on a rollercoaster ride his year. After a sell off in January, the averages regained ground in part due to strong earnings from many parts of the economy. Financials and housing, however, continue to act as a drag. But the price of oil, on a tear this year, has turned things back negative for the year. As the U.S. averages have fallen back, the international components that have displayed great strength over the last several years have also given some ground.

The strategy of diversification in our portfolios has once again insulated us from the full effect of the domestic stock market slump. We are concerned about the rise in oil prices and its effect on the economy longer term. While there are no shortages or supply disruptions, the excess capacity over demand is not what it should be. We are looking for Congress to incentivize additional exploration as a way to alleviate the problem.

On a positive note, alternate energy sources are much more attractive now and undoubtedly will become part of the solution over time.

- *Diversification*
- *Oil on a Tear*
- *New Exploration*

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Economic Resilience

The GDP numbers came in last quarter just as I predicted with a positive 0.9% growth. Remember it takes two consecutive quarters of negative GDP values to define a recession. The merchants of fear and gloom say that "so many people think we are in recession that we must be." The presidential candidates say that people are hurt-

No Recession

ing with this terrible economy. Maybe selling doom and gloom buys votes. We'll see. But I think "R" stands for resilience not recession. The GDP, gross domestic product, acts as a scorecard for the economy by measuring all goods and services produced in the country. It lumps everything in, so a problem unique to a particular area might be offset by strength somewhere else. Consumer spending is the largest component of the in-

dex accounting for 70% of the total. Consumers bought 1% more than they did last year, a relatively low rate but not recessionary. Exports, things we sell to other countries, rose 5.5% while imports increased by only 2.5%. Selling more things abroad than we buy will reduce our trade imbalance. While this trend may not eliminate the trade deficit, it is a step in the right direction.

Interesting Quotes

"It's a mere moment in a man's life between an all-star game and an old-timer's game.."

Vin Scully,
broadcaster

"Half our mistakes in life arise from feeling when we ought to think and thinking when we ought to feel." John Churton Collins, critic.

"Hard work spotlights the character of people. Some turn up their sleeves, some turn up their noses and some don't turn up at all." Sam Ewing, writer.

"Life is like a 10-speed bike. Most of us have gears we never use." Charles Schulz, cartoonist.



Rick Glaze, Dr. Bill Frist, Nancy Glaze

Citizen Statesman

My wife, Nancy, and I were delighted to meet fellow Tennessean, Dr. Bill Frist, recently. Dr. Frist is nationally known for being Senate Majority leader from 2003 to 2007. He was the first doctor to serve in the U.S. Senate for almost five decades serving a total of fourteen years. He referred to himself as a "citizen statesman", a person

that has a career other than politics but serves for a period of time. This is in contrast to most politicians that make politics a full time career. Dr. Frist is a heart and lung transplant surgeon and was chief resident in cardiac transplant service and cardiothoracic surgery at the Stanford University School of Medicine in 1985 and 1986.

The Price of Oil

I feel like Rip Van Winkle today. You know, the guy who took a short nap under a tree and when he woke up 40 year later everything had changed. Anyway, what a difference three months makes since our last newsletter. It seems like only yesterday a gallon of gas was an astronomical \$3.00. Now over \$4.00, it takes \$75.00 to fill up my jeep. Rip Van Winkle's 40 year nap left him with a straggly beard dragging the ground. While no beard for

me, my jaw is bouncing off the turf at these prices. Oil prices are detached from the reality of oil production. Argus Research pegs the cost of extracting a barrel of oil from the ground at \$60 which includes a company profit. You can argue that another \$10 per barrel could be added for geopolitical risk. Of course, this is a result of the energy policies, or lack there of, in this country over the last 4 decades. While there is plenty of untapped oil under domestic

control, the U.S. has steered an irresponsible course toward less domestic production in the face of steadily increasing demand. Back to the price of a barrel, add \$15 for the U.S. dollar's slide and the true price comes in at \$85 per barrel. Oil is priced worldwide in U.S. dollars so a strengthening in the greenback is essential to oil moving lower. As the economy firms up from this mild pull back, the dollar may very well arrest its slide.

