Economic Update

Broadleaf Partners, LLC

# True Value and the Great I Am

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Over the summer, the price of oil spiked to $145 per barrel. Many folks said that the move from $90 to $145 at the time was based on the strong fundamentals of emerging market demand. As our readers know, we believed the spike had more to do with "fund flows gone wild" or the desire from many to own an asset class that was working. A few months later, oil had plunged to $90 as these emerging economies didn't seem so impervious to the economic cycle.

Similarly in recent weeks, the price of cash on hand has soared to unprecedented levels and folks have been willing to sell anything and everything else for a taste of the only thing that has been working, the safety and security of cash. Folks have been so scared that even cash in a money market fund has been viewed in a different light from cash under the mattress. People have wanted cash and have been willing to pay whatever it takes to get their hands on it, regardless of the price, regardless if they do not need the cash now or fifteen years hence.

One reason that I point this out is that technology companies have shown considerable relative strength in the marketplace in the last week. While everything else has plunged big time, tech stocks have plunged less so. We have moved to progressively more conservative valuation techniques as the bear has reared its ugly claws, and cash on hand has become the basis of measuring true value.

You can see this in the movement of tech stock prices, in that tech companies sit on huge cash balances, have no debt, and do not rely on or need commercial lines of credit to support themselves during the tough times. These companies in most cases have several years worth of cash savings on hand and yet as Templeton may have observed, have been neglected far more than most other popular sectors since the tech bubble burst eight years ago.

I'm not advocating whatsoever that investors go out and chase technology companies here, I only point it out to show that this market has been less about fundamentals and more about downright fear. Just as greed can be the invisible hand that drives an asset bubble higher, so too can fear be the invisible hand that drives a deflationary bubble downward.

At the end of the day, we are being forced to realize that our true value as a nation has nothing to do with our bank accounts or our cash on hand, but upon the very bedrock that we are living, breathing human beings. It is not what we do or what we have accumulated that gives us value, but that we are. Can you hear the faint whispers of the great "I Am"?

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Lots of folks on CNBC are saying that we likely saw the signs of classic capitulation today with a horrific downside open and a subsequently very strong rally to the upside. I have no idea if we are done with this correction or not. I would, however, remind our readers that we have nothing to fear but fear itself. The cost of cash is high right now; resist the temptation to buy what is working. It has not worked in the past and it will not likely work today. Above all, I invite you to know your true value.

Thank goodness it is Friday. May God bless you and keep you and make his face to shine upon you during this much deserved weekend of rest.

Kindest Regards,

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