FINANCIAL
ADVISORS

Morling Financial Advisors, LLC.

Commentary for First Quarter 2009

It appears the market has caught a breath of fresh air in the past few weeks. With all the capital that the Obama administration has put into the system, we are slowly starting to see the easement of lending and spending. We don't believe that the market volatility will dissipate any time soon, but this past rally does seem to have some traction unlike the December recovery and January bust.

Our recent rally could be attributed to the massive expansion of the Federal Reserve's balance sheet. A substantial amount of bad assets were taken off of bank balance sheets by the Fed's buying of illiquid paper and other debt instruments which were done by programs like "liquid facilities". This has given banks liquidity to aid in the solvency issue. Does all this translate into a bull market, no not exactly, we expect to have a slow economic recovery in the months and even years to come because the rest of the world must also have some recovery before we will see a full bull market take place. We can expect to see job losses to increase in the coming months because it is normally one of the last indicators to improve, but the good news is that a market recovery does occur before the lowest point of unemployment. The housing market has stabilized a bit from the help of the government imposed moratorium on foreclosures, but as unemployment increases we can expect the housing market to hit a few more bumps in the road. We are not out of the woods yet, which is why most portfolios will continue to maintain a higher than normal cash and fixed income (bond) allocation to help preserve capital.

We will continue to keep our eye on the ball to ensure that our investment philosophy adheres to your financial goals and objectives. If you should have any questions please do not hesitate to contact us.

Sincerely yours,

MFA Team

44 Montgomery Street, Suite 1900, San Francisco, CA 94104
Phone: 415-956-9500 Fax: 415-956-1856