

## Observations

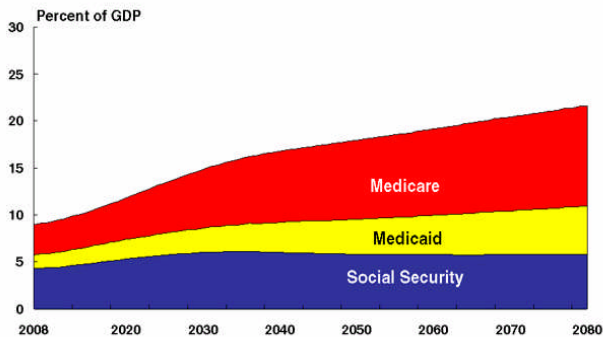
- ❑ **Inflation versus Deflation.** Greater federal spending and deficits will lead to higher prices and interest rates as money floods into the system. Short-term, demand remains subdued due to unemployment and lack of confidence which may push prices lower and should keep interest rates low. Inflation will eventually carry the day. The US has incurred a tremendous amount of debt. With inflation, the US can repay the debt with cheaper dollars. So what if the dollar weakens? The US is still the world's bank and safest place to put your money. In the global marketplace, the US is the biggest consumer. What is a safer alternative to the US dollar for the long-term?
- ❑ Pay attention to the battles in your **state and municipal budgets**. Those with a "worry about it tomorrow" mantra have just met tomorrow and tomorrow is demanding payment now. Higher tax rates in a down economy violate Economics 101 for climbing out of a hole. Expect to see cuts in services and new non-critical projects. It will not be pretty, especially if Washington must bail out the states, which in turn must support municipalities.

## Facts & Figures of Importance

### Economic

The elephant in the room we cannot ignore.

**Social Security, Medicare, and Medicaid Spending as a Percent of GDP**



Source: GAO analysis of data from the Office of the Chief Actuary, Social Security Administration, Office of the Actuary, Centers for Medicare and Medicaid Services, and the Congressional Budget Office.

Note: Social Security and Medicare projections based on the intermediate assumptions of the 2008 Trustees' Reports. Medicaid projections based on CBO's September 2008 short-term Medicaid estimates and CBO's December 2007 long-term Medicaid projections adjusted to reflect excess cost growth consistent with the 2008 Trustees intermediate assumptions.

### Financial

#### Treasury Yields

	5 Year	10 Year
2007	3.45%	4.04%
2008	1.94%	2.96%
4/30/09	2.01%	3.12%
YTD Return		

#### Equity Markets

	S&P 500	DJWilshire 5000
2007	1,468	14,819
2008	896	9,087
4/30/09	873	8,963
YTD Return	-2.49%	-1.37%

Contracts for July copper show prices rising. To some, copper is a leading indicator of economic activity.



### Economic Outlook

- Despite tidbits of positive economic news and slowing rates of decline, the US and world economies are still ill and have a long path to recovery.
- Mexico is going to have to seriously consider opening up its nationalized oil industry to provide much needed revenues. Already teetering, the swine flu problem has the country in a deeper hole. With tourism down and fighting an expensive drug war, no better way to raise cash than with an oil sale.
- The Fed is trying to support mortgage lending and the housing market, however finding buyers in most markets will not be easy. Artificially supporting markets can be dicey.
- It is curious why retail gasoline prices are not lower with oil in the \$50 range. Lower prices would help the economy.

### Investment Outlook

- Investment markets look forward as equities climb off the March lows. There is a Wall Street trading adage, "sell in May and go away". Until reliable earnings growth returns, expect choppy markets.
- As fear lessens, spreads over Treasuries are slowly starting to recede. The thaw in credit markets is helping as investors better evaluate risk and volatility.
- Long-term treasuries appear far too expensive. Is it a bubble that will pop or will the air simply leak out, especially when foreign investors begin to sell their holdings?
- Hold onto your wallet when you hear "things are different this time" or "the old rules no longer apply".

This commentary may not be reproduced or distributed without the express written authorization of QRS Wealth Management LLC. The opinions expressed in this document are for informational purposes only. It is possible that this information is dated and should not be used to make any financial or investment decision. Please see the Disclaimer page at [www.qrswm.com](http://www.qrswm.com) for additional information.

## Insightful Thoughts of Others

It is a mathematical fact that fifty percent of all doctors graduate in the bottom half of their class. ~Author Unknown

I got the bill for my surgery. Now I know what those doctors were wearing masks for. ~James H. Boren

I recently became a Christian Scientist. It was the only health plan I could afford. ~Betsy Salkind

Warning: Humor may be hazardous to your illness. ~Ellie Katz



## A Few More Things

- ❑ Here is **the path to a more cost effective and higher quality health care system**. As these are ideas from people within the industry that would result in both better medicine and reduced costs, you can be sure they will not be implemented. We all should accept two truths. First, there is no perfect system, and second, government or single payer health care has been a disaster as evidenced by the experiences of countries that have it. Let's simply apply basic economics. When something of value (healthcare) is perceived to be free, the demand increases. With a single payer system, when there is not enough supply to meet the demand, prices will increase at accelerated rates. Without the supply to meet demand, rationing of services, rising costs, and declines in the level of care, will lead to a backlash of unprecedented proportions. We can even point to the waste and abuse in our existing Medicare and Medicaid systems and magnify that several fold with a single payer system.

Consumers must become more responsible for their own medical care and pay a higher share of their expenses. There are no laws that entitle us to free healthcare. People have an insatiable appetite for items that are free, especially healthcare. Health care providers have incentives to abuse a single payer system if they perceive the payer has unlimited funds. The system will be abused by both consumers and ancillary medical providers. If you wish to see the sources of information behind this analysis, just let us know and be prepared to read stacks of insight from credible sources (starting with the GAO) on not just how broken the current system is, but the debacle that awaits us if we do not take the right corrective measures.

Let's start with making prices more transparent and disclosed upfront. **Name another product or service that you use where the price is negotiated after you receive the product or service?** Why does a person with health insurance and their insurance company pay less for the same service that an uninsured individual receives? Is that not price discrimination? Next, it is time to do away with obtaining medical coverage through ones employer. We do not purchase other insurance from our employer, so why healthcare? Rhetorical question – money, control, and taxes are the answers.

Government regulation oversight must take a common sense approach to assist the consumer with understanding what medical procedures are and are not covered along with good faith estimates of costs so that consumers can budget for healthcare expenses. Laws should prevent adverse selection and help everyone have a base level of insurance. Encourage competition amongst health insurers by opening markets to them. Yes, emergency care and complications that arise during treatment must be addressed. However, once Americans have more information and see exactly what they are paying (no more games that go on with insurance reimbursement rates) prices will adjust and the quality of care will improve. Please understand that none of this will likely happen as **politicians enjoy having power over your healthcare and who can put their hands in the pockets of consumers to bilk the system.**

- ❑ Congressional and presidential low approval ratings would be good so that they do not actually believe that the American public approves of their governance. **Let the donkeys and elephants blow hot air and bad mouth each other.** Just do not let them do anything that that will hamper the recovery. Gridlock is good. Doing nothing is acceptable. We can depend on the media to focus on the first family and their new pet. Government out of the way; allow Main Street to lead us forward.
- ❑ **Happy Mother's Day** to all Mom's and **Memorial Day** remembrance and gratitude to those who died for our liberties.

This commentary may not be reproduced or distributed without the express written authorization of QRS Wealth Management LLC. The opinions expressed in this document are for informational purposes only. It is possible that this information is dated and should not be used to make any financial or investment decision. Please see the Disclaimer page at [www.qrswm.com](http://www.qrswm.com) for additional information.