



NCM Client Notification

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To our Clients:

Is this a bottom? Wouldn't we all love to know!

What is clear is we are mired in a volatile trading range. We could break out on the bottom or we could break out on the top. But one thing that is clear, *this time is not different.*

Clearly, the circumstances of the current market crisis are different. But to think today's very low valuations and a historically oversold market will not ultimately result in a substantial stock market recovery is just flat wrong.

During past illogical cycles and bubbles many investors proffered, **this time things are different, but in the end they were not.**

It was not so long ago in the mid-1990's I remember talking to a client who put forth a forceful argument the stock market should continue to rise due to buying pressure created by baby boomers investing billions of dollars into their 401(k) retirement plans. **Intuitively logical....but in the end things were not different.**

Remember the internet bubble? Earnings were not the important issue. This was the internet. The new form of commerce. Valuations should be higher as the sky was the limit. **Intuitively logical....but in the end things were not different.**

Then came the housing bubble. They aren't making any more real estate people would say....I personally would think to myself, there sure seemed to be a lot of desert left around Las Vegas. The New Housing Economy. Everybody get on board because we have domestic buyers, international buyers, our favorite baby boomers are back and they need a second and third retirement home. Dollars coming out of that rotten stock market had to have somewhere to go. **Intuitively logical....but in the end things were not different.**

Next up to bat, the crude-oil bubble. Global demand...insatiable appetite in China and India....\$200-a-barrel prices were just around the corner with \$100-a-barrel looking cheap. We are RUNNING OUT! **Intuitively logical....but in the end things were not different.**

Metals front and center. GOLD RUSH! Buy, buy, buy! Central banks are buying. A Depression is coming and very clearly a rock would have value in such an environment. Chinese consumers are buying tons of the stuff with their growing affluence. You better buy and buy now or else! **Intuitively logical....but in the end things were not different.**

Emerging markets—Brazil, China, India, Russia—sure the US may be in recession, but these economies are still growing. Their stock markets will continue to rise independent of the US! Get in! **Intuitively logical....but in the end things were not different.**

We are not suggesting the upward movement in stocks experienced today will be followed with a positive outcome tomorrow. In fact, with the Federal Reserve Open Market Committee cutting interest rates tomorrow, it may well be a *buy on the rumor and sell on the news* type market spasm.

We are suggesting we are presently in the most uncomfortable part of the market cycle. The point where investors wonder if this time things are different. **We can comfortably inform you, this time things are not different. It is just a matter of time.**

We will continue to keep you posted.

Investment Committee
Northern Capital Management, Inc.