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Dear Client,

UNCERTAIN FOR CERTAIN

In the last several weeks, the financial markets have sold off because several events created economic uncertainty for the US and world economies. There is uncertainty about whether the global economic recovery may be derailed by the current unrest in North African and Middle Eastern countries which have contributed to higher oil prices, as well as, the tragic earthquake, tsunami, and potential radiation contamination in Japan.

Oil prices have increased more than 20% due to the turmoil in North Africa and the Middle East. At this time, it is unclear if this situation will have a lasting effect on oil supply and prices. Here are some facts about worldwide oil supplies originating from this part of the world:

1. Less than 3% of the world's oil supply comes from Libya and Egypt¹.
2. The price of oil has been pushed higher on *speculation* that the disruption in supply "could" happen. At this time, there has not been any meaningful disruption of oil supply.

The media does not write about the potential positive outcomes from the uprising of citizens of various countries that have Totalitarian governments. The potential for democracies to spread in these countries is increasing every day. The spread of democratic governments may produce the following outcomes:

1. Improve relations with other democratic nations.
2. Suppress the threat of terrorism against their own citizens and other countries.
3. Provide new engines for worldwide economic growth.

The shocking scale of the devastation in Japan from the earthquake and tsunami is a human tragedy of horrific magnitude. At this time, it's very difficult to make a full assessment of the impact this may have on worldwide economic growth. This is what we do know:

1. The immediate impact will be negative for Japanese economic growth. Damaged infrastructure, including power generation and distribution, will negatively affect economic activity.
2. In the intermediate term, the government can replace nuclear capacity with natural gas or oil powered generation which would serve to limit the economic impact to industry and citizens.
3. Longer term, Japan will rebuild which should create substantial economic activity as it did after previous earthquakes, such as Kobe, in 1995.

Overall, the world economy has come far enough in its economic recovery process that it should be able to absorb these uncertain times. Economic data continues to show improvement on most points and has a high likelihood for ongoing improvement. Even though recent events have created high levels of uncertainty, I believe it is most likely that the stock market and economic recovery is still in place.

Naturally, we have no control over impending events, but we can control our reactions to short-term shocks by staying with the objectives of your investment strategies. I am here to work with you through these uncertain times. If you have questions or concerns about your portfolio, please contact me.

Sincerely,

A handwritten signature in blue ink that reads "Mike".

Mike Ovshak, CFP®

¹ Source: <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2173rank.html>