

## Blue Skies and Rain Clouds

by John Masus

A few months ago, I wrote about the Tailwinds and Headwinds regarding the economy as we moved through 2010. The Tailwinds moving us forward in the first part of the year have been largely completed and the transition phrase during mid-year has now begun.

The most important part of the transition is the private sector beginning the re-employment process. If I see that the desk or the machine next to me is now occupied, when last month it was empty, not only is the person next to me happy (they now have a job) but I'm also happy because I feel a little bit safer. That feeling can now cause me to make needed purchases that I have been delaying. That's called economic recovery and that's the transition we are looking for. When that happens, the headwinds to our economy become less threatening. Such things as housing foreclosures and higher interest rates from the Fed are still out there, but I believe, jobs are the

key and the private sector seems to be awakening.

There are other headwinds beyond our control. The European Union for example, has to rethink how they spend their money. Up to one trillion Euros has been made available for nations that need it. However, it comes with strings attached (as well it should). More austerity, more cutbacks, and I would add more common sense in their budgets. The real problem facing the EU is a nation with high sovereign debt creates more debt to pay off current debt/interest, it only postpones the problem. If the loans are used to help make a transition to a more common sense spending pattern, then it may well work out. Hopefully, that's what happens. This could have a negative impact on us.

All of that said, I think the worst is behind us as we come through the worst recession since the 1930s. I had to smile the other day. I received a letter from a large national bank that I could consolidate all of my debt by

borrowing against my home. After I threw the letter away, I thought, things are getting back to normal. I hope not.

I've read that people who went through the Great Depression never forgot the fundamentals of money management for the rest of their lives. I hope going forward that we're smart enough to have learned our lessons about excessive debt, credit lines on our homes, credit card debt, etc.

If you have general questions about financial topics you can e-mail them to me at [John.Masus@lpl.com](mailto:John.Masus@lpl.com) I'll answer them in this column. ●

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