

Sidoxia Capital Management, LLC

Green Shoots or Spring Fever?



Experts are debating whether the recent bounce experienced in the equity markets is a function of a fundamental turnaround in the economy, or is this more a function of wearing rose-colored glasses after extreme price declines. Irrespective of your view, the S&P 500 Index rose +9.4% in April; the Dow Jones Industrials +7.3%; and the NASDAQ Composite Index +12.4%. After wholesale panic began last September green shoots now appear to budding through the ashes:

Healthier Than Anticipated Corporate Earnings: Company earnings reports are beating expectations. A +17% bounce in the KBW Bank Sector Index during April is one validating piece of evidence. "The earnings season in general has been better than expected, with 68% of the S&P 500 reporting upside surprises, and we're three-quarters of the way done," said Art Hogan, chief market strategist, Jefferies & Co.

Improving Consumer Spending: Despite significant job losses and weak economic activity, consumer spending, which accounts for about 2/3 of Gross Domestic Product (GDP), was up +1.5% in the first quarter of 2009.

Stabilization in Home Prices: Although housing prices continue to decline, existing home unit sales have stabilized over the last four to five months around 4.5 million homes.

Merger Marriages On the Rise: Merger activity is perking up now that a market bottoming process appears to have commenced. Oracle/Sun Microsystems in technology; Merck/Schering Plough in healthcare; and Pulte Homes/Centex in homebuilding are just a few examples of recent merger marriages.

Capital-Raising on the Rise: Capital markets are functioning much better with bond spreads tightening and cost of issuance declining for corporations. Beyond the hundreds of billions raised through new bond deals, we are seeing troubled areas like the REITS (Real Estate Investment Trusts) raising vital equity capital as well. Prologis (PLD), Chimera (CIM), Kimco (KIM), Vornado (VNO), AMB (AMB), and Simon Property Group (SPG) have raised over \$4 billion in the last few months.



Wade W. Slome, CFA, CFP
Author of *How I Managed
\$20,000,000,000.00 by Age 32*

Mr. Slome is also the media go-to resource - he has been quoted in the USA Today, New York Times, Dow Jones, Investor's Business Daily, Bloomberg, Smart Money, among other media publications.

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Why Sidoxia?



Experience

Mr. Wade W. Slome managed one of the 10 largest growth funds in the country, at times exceeding \$20 billion in assets under management during his tenure.

Mr. Slome possesses a master's degree from Cornell University in business administration (MBA) with a concentration in finance.

Mr. Slome holds the highly regarded CFA (Chartered Financial Analyst) investment designation.

Mr. Slome maintains the

Sidoxia Joins the Twitter Revolution



[Sign-Up for Wade Slome's Sidoxia's Tweets](#)

Social networking is spreading like wild fire, whether you're talking about Facebook, MySpace, LinkedIn, Twitter, or other community sites. Like any other web fads, generally they can be tremendously valuable tools if used correctly with self discipline. On the other hand, if abused, these sites can turn into vast, inefficient black-holes that suck away any crumbs of free time left on your daily calendar. Sidoxia is dipping its toe into the Twitter waters (user name **WadeSlome**) with the goal of informing, educating, and on occasion even entertaining followers on global markets, politics, investment planning, and mundane tribulations of an entrepreneur. Login and "Follow" **WadeSlome** to join the Twitter revolution!

Time to Whine or Swine?



Will this be an epidemic of mass proportion that will wipe out wide swaths of lives globally? Well, if recent history is a guide, then the likelihood for that scenario is remote. I'm no doctor or lab scientist, but I do know civilization has survived other animal evolved illnesses, including mad cow, avian bird flu, SARS, hoof and mouth, and now swine flu. Historically we have a pandemic about every 25 years, but perhaps we can avert this swine scare until the next global hedgehog pox scare?

Concern, not panic, is the responsible reaction. Things obviously can deteriorate from here, and parallel fears linger surrounding the pandemic of 1918 that killed millions around the world. However, the current scare should be placed into perspective. Tommy Thompson, the former Secretary of Health and Human Services, highlighted that we lose 36,000 people each year to traditional flu in the United States. The Swine

respected CFP®
(CERTIFIED FINANCIAL
PLANNER) certification.

Bloomberg identified Mr. Slome as the 2nd youngest manager among the largest 25 actively-managed U.S. mutual funds in 2005.

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Sidoxia focuses on diversified, tax-efficient, and low-cost investment portfolios, with the goal of achieving superior after-tax, risk-adjusted returns.

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Flu illness originated in Mexico and has resulted in over 160 suspected deaths in Mexico. Despite over 130 suspected cases across the country, zero deaths were confirmed during April in the U.S. - excluding a Mexican boy brought across the border to Texas. The World Health Organization (WHO) has raised its pandemic alert to Phase 5 (just below the top "pandemic" level of Phase 6). Thanks to improved healthcare technology/procedures, 24/7 global media coverage, and over-priced bottles of sanitizing gels, we are in much better condition and preparedness to face this health challenge.

decisions. Any mention of past performance may not be indicative of future results.

Slome Signs on With Wall Street Journal

Partner - FiLife



It's true, Wade Slome has signed on as a contributing writer for The Wall Street Journal partner, FiLife (short for Financial Lifeline). There is no shortage of topics to write about as we work our way through this financial crisis, and FiLife has decided to lean on Mr. Slome's expertise. Monthly articles leveraging his experience will cover various investment topics and trends that can be accessed through FiLife.com or the following link:

<http://www.filife.com/user/sidoxia/articles>

Who Will Pass the Stress Test?



The Government, including the Federal Reserve and U.S. Treasury department, is conducting a review of the 19 largest banks that pose "systemic" risk to the overall financial system. Although there will be no "Pass" or "Fail" grade given to the institutions, the government will clarify whether capital-raising will be necessary to weather a worsening economic storm. Scenarios under the stress test will contemplate the impact on the banks balance sheets and request capital increases for the weaker banks. The pessimistic case for the banks considers the following hypothetical setting:

- Gross domestic product (GDP) declining by -3.3 percent in 2009 and growing by +0.5 percent in 2010.
- Unemployment rate reaching 10.3 percent
- Home prices to fall by another 29 percent, by 2010.

Right now the government is negotiating with the bank management teams regarding how much, if any, capital-raising will be necessary over the next six months. If the banks are unsuccessful raising capital on their own, then the government will standby to inject government money in to the banks. Rather than using tax-payer dollars I'm in the camp that the banks' bondholders should share the pain by converting their debt into equity - thereby relieving the burden on our debt-strapped government and taxpayers. Larry Summers, the Director of the White House's National Economic Council, has hinted the administration is exploring this route. Regardless, the government needs to strengthen the equity positions of the banks if Bill Ackman at Pershing Square Capital Management is correct in estimating the financial system needing to repay \$300 billion in debt coming due in 2009; \$280 billion in 2010; and \$250 billion in 2011.

In some respects this "Stress Test" is a "Lose-Lose" proposition because if certain banks are forced to raise large sums of capital, then the public will lose confidence in the banks. Conversely, if all the banks come out of the test with a clean bill of health, then the public will lose all confidence into the credibility of the tests themselves. Results will arrive soon enough - let's hope the stress-test provides relief, not a migraine!

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