

# ***Capital Management Associates, Inc.***

Charles J. Dushek, President

Investment Management.....Financial Planning.....Estate Planning.....Tax Strategy

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## **CMA Update: Bear Stearns Sold to JP Morgan Chase Bank**

On Friday, Bear Stearns stock fell about 50% to \$30 per share. Bear had significant liquidity issues beyond its internal ability to solve. Basically, Bear has been a very good brokerage and investment banking firm for the 15 years I have known them and the 85 years they have been in business. Bear's difficulties are mortgage securities related, and the firm has a very good book of client business. CMA did "not" hold any Bear Stearns stock, bonds or preferreds.

Bear was sold today to JP Morgan Chase for \$2 per share. This is a very positive deal for JP Morgan and the stock market is rewarding JP Morgan shares by pushing JPM's share price up about 10%. JP Morgan is a significant holding across CMA client portfolios.

Since the brokerage industry has/is feeling a lot of financial distress from the mortgage securities fall-out, we have strictly stayed away from any holdings of common stock, bonds or preferreds of US brokerage firms. Merrill Lynch, last year, reported losing over \$20 billion on their own proprietary investment activities causing huge turmoil within that firm. It is amazing how these brokerage firms that hold themselves out to the public as premier assets managers to their clients, can get into so much trouble investing their own proprietary assets?

For your further information, CMA maintains all client assets in the custody of the Northern Trust Company of Chicago, and do not maintain any custody services within the brokerage industry.

On another note, CMA staff are reaching out to make phone calls and sending informative emails to our clients and investor friends about the new CMA 9% Passive Fixed Income Portfolio account strategy we are now offering. On Tuesday, March 25th at 7PM, CMA will offer an educational meeting at our offices to discuss this new account strategy available to you.

Currently, CDs and money market interest rates are near 3%, down from 5% last August. The Federal Reserve is expected to reduce interest rates again this week to stimulate the economy. This next cut will likely reduce CD and money market rates to near 2% going forward. CMA's 9% Income Portfolio is an interesting alternative to a higher return compared to these very low CD and money fund rates.

If you are interested in attending the Tuesday, March 25th, session, you are invited to call Darlene Palatine of CMA at 630-963-4235, Ext 3.

Sincerely,

Chuck Dushek