Alpine Trust
& Asset Management

October 10, 2013

Marmot Library Network, Inc.
ATTN: Jimmy Thomas
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Grand Junction, CO 81501

Dear Jimmy:

Enough!

Here we are again, on the edge of a fiscal cliff that could cause the U.S. to default on its obligations, and the news out of Washington doesn't seem to be getting any better, nor do the two sides seem any closer. Of course, we have been here before, in the summer of 2011 and at the end of last year, and in both cases, a last-minute deal was cut, the can was kicked and everyone breathed a sigh of relief.

Our trusted sources feel fairly confident in a similar outcome this time around, with the debt ceiling being raised before the end of Oct. 17, when the Treasury exhausts the extraordinary measures it has at its disposal to meet the financial obligations of the federal government. As it was before, however, getting from here to there is likely to be messy for the markets and the public at large.

Nothing New

The U.S. has been in debt every year with the exception of 1835. The debt ceiling has been raised 74 times since 1962. Reagan raised the debt ceiling 18 times; Clinton, 8 times; Bush (W), 7 times; and Obama, 3 times. The debt crisis of 2011, when Standard and Poor's downgraded the U.S. credit rating for the first time in history, caused the most volatile week in markets since 2008. The down plunged 635 points (5.6%) in one day. Yes, it's Déjà vu. We have been here before.

It is reasonable to say Washington could be the catalyst for a market in need of further consolidation before it can support a sustainable advance into new high ground. (The overbought market catapulted the S&P to a record high at 1,729.86 on September 19). Many experts believe the S&P could correct back to 1,650-1,600 range over the next few weeks (which could represent a healthy 8% pullback) until Washington figures out a compromise, after which the stock rally is predicted to resume.

Your portfolio

So what do you do in the meantime? Investing involves risk and risk can bring rewards, but volatility and staying the course are unfortunately part of the journey. Our road has not been smooth in the "New Normal" since 2008, but we have seen remarkable recovery since the darkest hour March 6, 2009 when the Dow slumped to 6,443.27. Those with the risk tolerance and ability stayed the course and were rewarded. The good news is that markets do recover. The bad news is you can't predict when. So if you sell out of equities now, you can miss the upturn. (Following the Dow low on 3/6/09, it recovered 20% in just 3 weeks). Although impossible to time, once some resolution of the problems in Washington occurs, we could see a quick upturn.

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One thing is for certain...markets do not like uncertainty. This volatility is hard on the nerves and the frustration of watching dueling press conferences and finger-pointing among our elected officials adds to our misery. If you are troubled and need to discuss your options, please call us. We hope to be the voice of reason and to be a help during these trying times. Sometimes it just helps to cover the bases again, reviewing your goals and timeframes.

Final Thoughts

The Institutional Strategist, published by TIS, shares that over the 200-year plus history of America, the type of political theater, name calling, hyperbole and downright stupidity has been seen before. The atmosphere in Washington may be acrimonious today, but take a look sometime at the campaign ads run by the opposition during Jefferson's run for the presidency, or the names Lincoln was called – sometimes by his own party. "Republics are a messy thing," says Linda Duessel of Federated Investors, "but in the end, it is precisely the kind of turmoil we are seeing now in Washington which produces a cathartic effect on the nation and has often produced the man for the hour. Cometh the hour, cometh the man, is the old phrase. Confidence can be a fragile thing and right now, the S&P has been the repository of a lot of investor confidence in America. If that confidence takes a hit, so will the S&P."

We welcome your calls and concerns. Thank you for the confidence you place in us and for your continued patronage.

Sincerely,

Monique L. Serra
Regional President