



### Thanksgiving Purpose.

Hawk100 helps individuals, families, and organizations articulate their purpose. Then, Hawk100 designs and implements strategies that align wealth with life, supporting that articulated purpose.

While America's families gathered to share and give thanks for bounty and blessings, I reflected on the life of a recently passed family friend.

A surviving daughter told of a connection that her family found with the 2007 film "Mr. Magorium's Wonder Emporium." In one scene, Mr. Magorium describes his ideal obituary ("He died.") then says, "Life is an occasion. Rise to it."

Surviving family would likely expand on that short obituary to note a purposeful life. My friend cherished simple pleasures and spread cheer. Life was her gift, and she rose to that occasion.

If someone unexpectedly dies, survivors often struggle to write the ideal obituary. Like Mr. Magorium, clearly state how you wish to be remembered. Capture the essence of what you intend your life to be and articulate your purpose. Doing so improves your life and eases mourning.

My purpose is to positively impact lives of Hawk100 members and to align their wealth so they may rise to life's purpose.

Your wealth.  
Your life.  
Aligned.

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### Bernanke is Living The Dream.

In a recent dream, I was standing at a cashier counter buying an insignificant item that I expected to cost no more than a dollar. Surprisingly, the item cost \$10. With a wallet holding nothing smaller than a C-note, I handed \$100 to the cashier. As change for my note, she dutifully returned a handful of crinkled Monopoly money, including four little player pieces—thimble, hat, dog, and wheel barrow—in place of coins. I accepted the play currency and coins when the cashier reassured me that all vendors in town accepted Monopoly money as a form of payment. What dreams may come.

As if in an uncertain dream that offers the choice to awaken into deflation or to sleep until inflation, the U.S. Federal Reserve Bank has resolved to choose snooze. Risking inflation rather than risking a fall into a second leg of the "great recession," the Fed has printed its own form of Monopoly money and resumed a policy of quantitative easing (QE2).

Quantitative easing involves systematically expanding monetary supply by calculated amounts to target particular domestic inflation rates. The Fed expands money by effectively printing cash needed to buy Treasury bills, notes, and bonds. Having already printed \$2.3 trillion, this month Bernanke passed go in QE2 Monopoly and added \$600 billion.

**One nightmarish option.** QE2 is one of the few remaining options for the Fed to pursue monetary expansion. By next month, it will have been two years since the Fed moved its target rate for overnight Fed funds to near zero. Fed member banks borrow at that rate, making their cost of funds near zero, and should have already expanded credit for lending to profitable endeavors. Reducing required reserves would have no effect on a banking system that already holds \$1.0 trillion excess reserves. Earlier QE attempts increased prices for some assets and commodities but achieved almost no sustainable impact on inflation or aggregate wealth. With little to show for its folly—employment statistics remain depressed—the Fed believes redoubling inflationary efforts is the best path from its nightmare.

**Inflation inclination.** The Fed and Treasury prefer inflation to deflation at nearly every turn because the U.S. is a debtor nation to the extreme. The Treasury owes nearly the annual worth of what the U.S. produces in aggregate each year. In FY10, the Treasury borrowed \$1.3 trillion more to cover expenditures in excess of tax receipts, and the U.S. imported \$500 billion goods and services more than it sold abroad. In that situation, the Fed has happily inflated our currency so we can repay debts with cheaper dollars in the future. Though eventually, creditors will sound the alarm.

The Fed has never before fallen so deeply into sleep. Relying on select statistics to support a theory that deflation risks are worse than inflation risks, Fed chair Bernanke has brushed aside criticism of QE2. Even if he is correct, he cannot know where the QE2 may lead at this depth. Global financial systems depend on his successful navigation past QE2's unintended consequences and resemble passengers of the disabled Carnival cruise idly floating at sea.

**Uncharted waters.** QE2 was also a luxurious transoceanic cruise ship named for Queen Elizabeth. In 1992, the QE2 ran aground on uncharted shoals in Vineyard Sound and was towed into Boston Harbor for repairs in dry dock. Captain and crew ignored potential underwater dangers and miscalculated the depth of QE2's hull. Errors of ignorance and calculation cost the QE2's owners, crew, and passengers dearly. QE2 was a dream cruise unexpectedly gone bad.

By Richard Clemens, CFA, President

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