

Good Afternoon Everyone,

Major – but predictable – tectonic market shifts are taking place however none of this should be a surprise to you as I have been warning you that this would happen. In fact I started telling you last October that we would see the market correct in February and then a large move down in the markets starting near the end of April. Since May 5th the markets have lost approximately 12%. I wish I could say that it was over but I am afraid we are probably only half way through this sell off or correction.

For the last year I have said that the run-up in the stock market from March 2009 until last month was sharp and rewarding ... for some. But there was one problem, it came with disproportional risk. The stock market rose to an extent that it was pricing in perfection ... a V-shaped recovery ... a return to normal.

That kind of overly optimistic view on the world can only make for an ugly ending.

Because if there's one thing we can be sure of, it is that after enduring a global meltdown historical proportions: A sharp, fast, return to normal is highly unlikely.

That common sense approach to risk aversion should be clear. And I find it troubling that many advisors are now once again scrambling to explain the recent decline in global stocks and other high risk investments to their clients.

They are now telling themselves and their clients, "This is just a healthy correction ... earnings momentum is strong ... the fear weighing on stocks is unwarranted."

Then they quietly ask, "Is there something bigger going on?"

The answer: Of course there's something big going on! And it's sitting right under their nose, plain as day.

It's a sovereign debt crisis, which is putting the world's largest collective economy, the euro zone, in jeopardy.

Now people around the globe have gotten the wake-up call from the crisis in Europe. As Brian and I have expressed in several *of our emails*, the problems in Greece are not just a European problem. Greece's troubles have not only exposed the structural flaws of the European Monetary Union, but have also exposed the structural problems in the global economy.

Government officials around the world have attempted to put their problems on hold for the time being, with the hope that they can deal with them later under better circumstances, when economies are stronger. They've responded to the debt problem *by adding* more debt. And that "crisis response" has only exacerbated a dynamic that created the crisis to begin with: Easy credit ... i.e. debt.

Historically, financial crises typically lead to sovereign debt crises. And sovereign debt crises typically lead to currency crises. All this is a recipe for tough economic times ahead.

A currency system meltdown is far more damaging than a stock market crash... a real estate collapse... or even a bond market collapse.

That is because *the underlying currency of any asset class is the ultimate building block, the core foundation, of any economy.*

So when the currency goes, everything (but gold) is in danger of losing value.

In the short term, none of this is good for your typical stock, with the exception of gold and natural resource stocks.

And based on what I am reading and following, which I gave you an example of in my last two emails, the Dow is likely to head back to the 9,000 level by the end of summer.

But, here is the good news. A lot of people are going to be fooled by this move by thinking they need to get out of the market and stay out. They are going to be WRONG. Reason: The next big move in stocks is not quite what you think it's going to be.

Instead, after the markets initial reaction – a panic to the downside occurs – you will witness...

The eventual re-inflation of the stock market, as it too becomes a currency hedge. And, I think that within a year you will see the markets head right back up.

I am asking you to trust me on this. I haven't steered you wrong so far and I am not going to steer you wrong on this either.

First, we need to continue to hold large amounts of cash. Second, we need to build long positions in gold; silver and precious metals and we need to continue to buy more gold whenever there is a pull back in gold. And last, we can not let our emotions get the best of us. I have warned you of what is going to happen and now that it is beginning to unfold you should not be scared or surprised by it.

I, Shari and Brian will continue to keep you informed and if you have questions please email them to me and I will address them in my next email.

One last note: Since we purchased gold and silver in your portfolios it has fallen in price. Your May statement will reflect this temporary loss in gold and silver. In the past I have sold them, today we are purchasing more when this happens. So again, I am asking that you stick with me on this.

Valerie Holcomb, Shari Hooper & Brian Harris
Cascade Financial Group



607 Cascade West Parkway
Grand Rapids, MI 49546
(616) 575-2020
(616) 957-4142 Fax:

This communication, including attachments, is for the exclusive use of addressee and may contain proprietary, confidential and/or privileged information. If you are not the intended recipient, any use, copying, disclosure, dissemination or distribution is strictly prohibited. If you are not the intended recipient, please notify the sender immediately by return e-mail, delete this communication and destroy all copies.