



HANLON
INVESTMENT MANAGEMENT, INC.

Market Commentary



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Treasury Secretary Hank Paulson completes the rare Triple Play!

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Just as rare as the unassisted Triple Play in baseball, Hank Paulson has pulled off a rare financial triple play.

This “Triple Play” consisted of:

- ✓ The US government was planning a Resolution Trust Corporation type entity to buy the toxic mortgages and mortgaged-backed assets that financial institutions have on their books, a buyer of last resort scenario.
- ✓ The Feds instituted a short-selling ban on 799 financial industry stocks.
- ✓ The Feds have set-up another institution that will provide government backing for money market funds.

The net result of all this government action is a giant short squeeze that is propelling stocks hugely higher across the planet. We are in the midst of an unprecedented short-covering rally. All major declines in the market end with a short-covering rally, but not all short-covering rallies lead to the end of stock market major declines. The simple fact is that the global financial system was on the brink of collapse. It will take some time to determine if these actions have brought this crisis to an end or just delayed the inevitable.

The longer-term implications are less certain. While the unprecedented government action may result in a longer-term uptrend, keep in mind why that action was required. The big problems have not been erased. We still have rising unemployment, a credit crunch, a recession, and a weak economy that many analysts expect to weaken further.

Solid rallies are about earnings and interest rates. Many analysts are NOT expecting a great earnings picture during the next few months. Earnings will bring reality back to the equation when the exuberance of Government band-aids wears off. The Fed and Government actions are probably one of the biggest gambles they have ever made. If this doesn't work, then what's left in the Fed arsenal? Cut interest rates?



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My point is that, if we do get an upside rally, it will still be an up move in a Bear Market. Before anyone gets exuberant, let's keep cool heads, as we try to always do here at Hanlon Investment Management, and see if the institutional investors re-enter the market or use this rally to sell into.

Oh, and for those interested, below is the list of all the known unassisted Triple Plays in baseball history. Welcome to the list Hank, ahem, I mean Mr. Secretary Paulson.

7/19/1909	Cleveland Naps	Neal Ball
10/10/1920	Cleveland Indians	Bill Wambsganss
9/14/1923	Boston Red Sox	George Burns
10/6/1923	Boston Braves	Ernie Padgett
5/7/1925	Pittsburgh Pirates	Glenn Wright
5/30/1927	Chicago Cubs	Jimmy Cooney
5/31/1927	Detroit Tigers	Johnny Neun
7/30/1968	Washington Senators	Ron Hansen
9/20/1992	Philadelphia Phillies	Mickey Morandini
7/8/1994	Boston Red Sox	John Valentin
5/29/2000	Oakland Athletics	Randy Velarde
8/10/2003	Atlanta Braves	Rafael Furcal
4/29/2007	Colorado Rockies	Troy Tulowitzki
5/12/2008	Cleveland Indians	Asdrubal Cabrera

Hanlon Investment Management, at this writing, remains 100% invested in Money Markets.

Thank you,

Sean Hanlon, CFP®
CEO and CIO

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