

## This Week in the Markets

By Richard E. Longueil, AAMS

If you've been paying attention to developments in the bond markets, the events of the past year may have you scratching your head a bit. But lest you feel like you're the only one who's confused, rest assured that even the experts are trying to figure out what to make of the flat to inverted yield curve we've seen for much of the year.

While some observers take the extreme approach and say the signs are pointing to an imminent recession, a closer look at several other factors seems to indicate that conditions actually look favorable for the fixed-income market.

For starters, we should probably make sure everyone's clear on what the yield curve is, and what it seems to be telling us. When it comes to investing in bonds, it makes sense that a bond with a longer term on it would typically give you a higher yield than one with a much shorter term. Hence the yield "curve" could be graphically represented by a line on a chart going from shorter term/lower yield on the left, moving to longer term/higher yield on the right, and eventually leveling off.

While that picture would represent a "normal" yield curve, beginning around July of this year the market began to see what's known as an inverted yield curve—where the shorter-term notes are actually offering a higher yield than longer-term bonds. That scenario seems almost illogical, but as we've seen, it certainly isn't impossible. However, contrary to the opinion of some market analysts, an inverted yield curve does not always mean a recession is imminent.

In a recently published paper, the Federal Reserve Board found that recession is most likely when the spread of the three-month versus the 10-year Treasury is inverted and the nominal Fed funds rate target is at a historically high level.\* Even though we have an inverted curve right now, the fact that interest rates are not currently at historic highs means that the curve is not necessarily signaling an impending recession.

So what other signs are contributing to a positive outlook for bonds? For one thing, the Fed appears to be finished with its series of rate hikes, at least for this cycle. In addition, the economy is cooling off and we should see growth at slightly below-trend pace in 2007, which will help to alleviate inflationary pressures. Interestingly, the demand for US dollar-denominated assets has continued to be strong, and when you add that to the mix it all makes for an environment conducive of stable yields.

At this point, it doesn't appear that there will be any significant pressure for domestic yields to appreciate significantly, unless global benchmark yields increase. Right now the US markets are benefiting from the investment dollars of foreign investors who are looking at our current bond yields as relatively high, compared with their own markets. Most bond markets in developed countries are yielding less than our domestic markets, with 10-year sovereign yields ranging from 1.67% in Japan to 4.5% in the UK, for example.

Despite a favorable outlook for the fixed-income markets, there are still factors that could possibly cloud the picture. If inflation were to become a legitimate concern, yields might be pushed back up toward new cyclical highs. Higher energy prices could lead to such a scenario, and that may prompt the Fed to resume tightening. In that case, investors might respond by pushing yields higher, but even then the low global yields mentioned previously would soften the blow.

Given everything outlined above, it appears conditions in 2007 will remain similar to what we have seen for much of the past two years, and I would expect to see the 10-year note trading in a range of about 20 to 25 basis points above or below a 4.75% base level.

\* "The Yield Curve and Predicting Recessions," Federal Reserve Board, Washington, D.C. (Feb 2006)

I welcome your responses, questions, and ideas for future topics. Successful investing to all.

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## Arbor Day Foundation Offers Trees

Each person from Massachusetts who joins the National Arbor Day Foundation during January will receive 10 free trees as part of the nonprofit foundation's Trees for America campaign.

The variety of trees will be shipped postpaid for planting between February 1 and May 31 with planting instructions, and are guaranteed to grow or will be replaced free of charge.

Members will also receive a subscription to the foundation's bimonthly publication, Arbor Day, and The Tree Book, which provides information about tree planting and care.

To receive the free trees, send a \$10 contribution to 10 Free Flowering Trees, National Arbor Day Foundation, 100 Arbor Avenue, Nebraska City, NE 68410, by January 31 or visit arborday.org.

## Recovery Isn't Just About Willpower

By RAYMOND V. TAMASI

Making decisions to do something different characterizes many of our new year intentions. It is on the mind of this questioner who is struggling with the challenge of wanting to believe things will be different but having serious reservations.

**Q: My husband has made several of attempts to stop drinking, but is never able to do it for more than a month or two. I get my hopes up, only to be discouraged when he resumes drinking. Now he says he's going to do it for good this time and he's starting out the new year with a real determination. I want to believe him but I'm frightened that it's going to be the same old pattern. How is it possible for him to have enough willpower to do it for a month or two and then go back? Is there something he can do to strengthen his will to stop for good?**

A. One of the most difficult facts to get across to families struggling with alcoholism is that simply deciding to not drink is rarely effective in bringing long-term recovery. That's because it's so hard to accept that addiction is an illness. We don't recover from illnesses simply by making a decision of our will not to be sick any longer. We have to take action to seek treatment. No one would spend an ounce of energy exercising our will to take care of a cardiac problem. We'd make an appointment to see a cardiologist. We wouldn't "try real hard" to cure ourselves of a thyroid condition. We'd go to an endocrinologist. That's because we know beyond any doubt that these are medical conditions that require professional attention.

The only decisions of will that we must make are the decisions to go to the doctor and to follow his/her prescriptive advice, be it taking medication or making lifestyle adaptations. With alcoholism, while the principle is the same, our responses usually are not. That's because, while many give lip service to the illness concept, few people really accept that alcoholism is an illness. The fact that your husband has made the decision to stop is an acknowledgment that his drinking is abnormal or out of control. His inability to sustain his commitment to stop is part of his struggle to regain control over his drinking, thus proving to himself (and to you) that he doesn't have a medical condition called alcoholism. Because he is able to stop for brief periods of time, his belief about alcoholism is reinforced and he convinces himself that he can't be an alcoholic. Once he does that, there is really only one way to "prove" it and that is to have just one drink.

Inevitably, this will, sooner or later, lead to another episode of out-of-control drinking. This loss of control is a gradual process for most people and is marked by periods of abstinence (such

as he has achieved), periods of what seem to be "normal" drinking, and those dreadful episodes of uncontrolled drinking.

The New Year is often the time when these sobriety commitments are made, but they can also come after a particularly unpleasant drinking consequence such as a driving while intoxicated incident or a family conflict about drinking.

The problem is that the view of alcoholism as a problem of weak willpower is doomed to failure. Good intentions and promises aren't upheld—not because the person is not well intended—but because addiction will not go into remission simply because the person "makes a decision" to quit.

The decision that could make a difference for him this time is to make an appointment to meet with a professional who specializes in the treatment of addiction. An experienced professional can

help him understand the nature of alcoholism, its symptoms and how it progresses. Just as I described with the cardiac patient or the thyroid patient, the decision of the will that must be made is to seek medical help and then to stay with the "prescription."

And this is not only necessary for your husband, it is also necessary for you. Think of yourself as a caregiver to someone with a chronic illness. If you have ever been a caregiver to someone who has some other type of illness—Alzheimer's disease comes to mind—you'd know that the stress is sometimes so devastating that the caregiver becomes in need of medical or counseling assistance. It isn't that the caregiver has done anything wrong; it's just that the strain of dealing with the chronic nature of the illness takes its toll on everyone in the family.

If your husband is committed this time to staying stopped, his

likelihood of sustaining abstinence will be immeasurably improved if he seeks professional help. If he doesn't want to do that, it must not stop you from doing so. More and more patients come to Gosnold because of the intervention of a loved one. You don't have to wait for your husband to get to that decision point himself. You can make it for yourself today by reaching out and seeking counseling assistance.

Help him make this New Year commitment a little different from the others. Don't go it alone. You've started to reach out by asking the question. Now, take the next step and make that call. The Cape has many fine professionals and Gosnold has a terrific staff of addiction specialists who are ready to help.

Comments or questions can be directed via e-mail to rtamasi@gosnold.org.

(Raymond V. Tamasi is president and CEO of Gosnold on Cape Cod.)

## Chilling Effect On Youth Mentoring

By STEPHEN WALLACE

Given recent well-publicized cases of child exploitation, perhaps it is no surprise that the age-old practice of mentoring teens may be yielding to modern-day concerns about youth safety. But throwing the baby out with the bathwater, regardless of how sullied, may do more harm than good.

Consider that more than half (56 percent) of middle and high school students say that not having a mentor would negatively affect them, according to a new Teens Today study from SADD and Liberty Mutual Group.

Indeed, teens able to identify at least one influential mentor in their life, such as a teacher, coach, counselor, or neighbor, report a higher sense of self and are more likely to take positive risks that promote overall development and mental health.

Just as important, the breadth and depth of the mentoring a young person receives correlates strongly with decision-making. For example, teens who report high levels of mentoring are significantly more likely than those who report low levels of mentoring to avoid alcohol, other drugs and early sexual behavior.

Despite clear evidence of the positive effects of mentoring on youth, a startling number of teens (53 percent) say their parents discourage them from participating in organizations or activities where such mentoring might occur, including one in five who specifically cite parental concern for their personal safety when spending time with a mentor.

Can something so good really be so bad? Sometimes, but maybe not as often as we think.

In *The Blessing of a Skinned Knee*, psychologist Wendy Mogel points out that the world may not

be quite so dangerous after all, referring to media scare-mongering in which "the most disturbing stories are given the most attention and our sense of impending danger becomes exaggerated."

This "bogyman effect," brought about by the overamplification of select incidences of child abuse, appears to be chilling important relationships proven effective in fostering growth and discouraging poor choices.

And that chill is not coming just from parents.

Fearing legal responsibility for misconduct by its employees, schools and youth organizations are developing standards limiting the contact that may make mentoring such an effective tool in the first place. For example, guidelines recommended by the National Education Association (NEA) describe as inappropriate professional behavior "taking students to lunch, outside social activities, or receiving and writing personal notes."

While surging fears about harm directed at youth may impair support for mentoring relationships, adolescents need, and very much want, consistent exposure to caring, supportive adults. And with good reason.

A report by Child Trends, "Mentoring: A Promising Strategy for Youth Development," concludes that adults other than parents can provide important emotional support, advice, and guidance while also helping to build self-esteem and self-control. They also point out that, overall, young people who participate in mentoring relationships experience positive academic benefits, including better attendance and better attitudes toward school.

While parents clearly play the most influential mentoring role in the lives of their children, it is

also clear that other "significant" adults can, and do, affect important outcomes when it comes to education, social and emotional well-being, and health and safety.

For sure, parents are wise to be wary. And there are some simple steps they can take to be sure their children remain safe.

1. Stay involved. Know with whom your teen is spending time, where they are going, and what they are doing.

2. Get to know your teen's mentors. Working together will benefit your teen and give you a better sense of your teen's safety.

3. Encourage your teen's involvement in organizations that conduct employee or volunteer screenings and/or criminal and sexual offender background checks.

In *The Shelter of Each Other*, New York Times bestselling author Mary Pipher warns, "A culture in which children fear adults and adults are uneasy around children is an unhealthy and dangerous place." Thus, the real bogyman may not be lurking in the bushes outside the door but rather behind a climate of fear that threatens from both ends the very type of adult-child relationships that nurture healthy development and decision-making.

In this new year, let's make a resolution to throw out the bogyman with the bathwater...and keep the baby.

(Stephen Wallace, national chairman and chief executive officer of SADD Inc. (Students Against Destructive Decisions), has experience as a school psychologist and adolescent counselor and previously served as a member of the Massachusetts Task Force on Sexual Assault and Abuse. For more information about SADD, visit [www.sadd.org](http://www.sadd.org).)

## Recertified In Food Safety

The following people were recertified in applied food safety after completing the recertification training sponsored by Cape Cod Cooperative Extension at Elder Services of Cape Cod & the Islands in Dennis.

With this course and the certification examination, they were certified by the Educational Foundation of the National Restaurant Association. The course was conducted by Susan Bourque Seward and Kim Conera, of Cape Cod Cooperative Extension.

Recertified on the Upper Cape were Dimitrios Arvanitopoulos, Two Brothers Pizza & Mexican, Sandwich; Chris Daniels, National Oceanic and Atmospheric Administration (NOAA), Woods Hole; Bob Gray, Sabatia Inc., Pocasset; Donna Piermattei, Royal Megansett Nursing Home, North Falmouth; and Bruce Schoon, NOAA, Woods Hole.

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