

KCM'S KOMMENTS—CURRENT NEWSLETTER

KELLY CAPITAL MANAGEMENT, LLC

VOLUME 6 ISSUE 4-5

SPRING EDITION MAY 2011

ECONOMIC & MARKET KOMPASS



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ANNOUNCING OUR NEW WEBSITE —

At KCM, we take pride in the fact that we use the most up to date technology for data analysis, trading, and client communication. It gives us great pleasure to announce the unveiling of our company website, www.kcm-invest.com. Please take a few minutes to browse the site to learn more about our company, the investment services we offer, and the great people working diligently behind the scenes to get you the best returns on your money that we can. Feel free to contact us if you have any questions or want to discuss any strategies that you feel might be appropriate to add to your portfolio.

MARKETS, ECONOMY AND STRATEGY—

The global economy continues to improve, though more gradually than last year, and uncertainties have arisen. Expanding unrest in the Middle East and North Africa, rising oil and commodity prices, and the Japanese earthquake crisis have increased downside risks to the economy and to risk assets. While we acknowledge volatility will be elevated in the short term, we still believe that equities have longer-term upside.

Although we have seen a consistent flow of economic data that points to an improving economy, there are conflicting data points beginning to surface. Solid corporate profits, improving labor market conditions, reasonably upbeat leading indicators, ongoing high levels of merger-and-acquisition activity, share buybacks, dividend increases, and other equity-friendly actions provide some positive support. However, recent reports on slowing labor market growth, volatile commodity prices, and a continued drop in home prices across the nation portray much uncertainty. The economy is in conflict.

We believe the Fed's QE2 program will end and there will be no QE3. Political brinkmanship will become more the norm as we move closed to November 2012 elections. Often, markets rise just because of one or another candidate looking better or promising more. We may witness this in the latter part of this year.

Europe's debt crisis and China's attempt to slow its rapid growth will affect the markets for a while longer but we don't see China hibernating or Europe evaporating. They will solve their problems and that will bolster markets worldwide.

For the time being, we are adopting a more cautious outlook, believing that stocks will remain in a sideways trading pattern for a while and then resume upside momentum. In our assessment, the recent pull-back only represents a point from which the markets will begin to climb and what we have right now is a short-term downside which will be followed by future growth.

SAD NOTE —

May 30th, our client Bill Swartz, passed away. His thoughtfulness and concern for his family were hallmarks of this kind man. He will be missed. Our condolences go out to his family.