

3rd Quarter 2009 Steven F. Mosshart AIF® Chief Investment Strategist

## Can The Stock Market Keep Going?

I get to speak with hundreds of investors each quarter and have the rare privilege to understand why people get nervous and make moves contrary to a prudent investment process. It is as you would guess, they get afraid.

The market has made a wonderful recovery since the March lows (50%) and many have seen their accounts get back to where they were two years ago. But, while the general feeling is relief, it also leads to a very strong urge to take the money and run.

We are in unprecedented times and that requires that we be quick and nimble with our investments. While I believe the market has a good chance of continuing down the road of strong returns through the remainder of 2009, it is also with the understanding that the best strategy may be to be a bit more concentrated on certain sectors rather than a broad base approach.

The good news is:

- The Fed kept the fed funds target rate at a range of 0% - .25% - the same since last December and we do not expect any rate hikes until at least 2Q '10
- Most of the macroeconomic analysts and The Fed believe that the recession is indeed over and the monetary policy is working.
- The current inflation rate is at less than 1.5%.
- Activity in the housing sector is increasing.
- Money managers that were on the sidelines are now convinced that we have a sustainable recovery and have reduced their cash holdings in favor of equities.

The not so good news is:

- The unemployment rate is 9.7% and may go higher.
- The Chinese government has eased credit to the point of running the risk of going through a US-like non performing loan problem.
- The commercial real estate market hasn't seen the bottom yet.
- Consumer spending is still flat.

## That Said: Should I Take Money Off The Table?

The answer to this question is no different than what you have come to expect from us. As there is no way to really predict the market it is vital that you set your asset allocation to match your true long term risk tolerance. If you cannot take seeing the account balance drop again, then you probably should review the portfolio and make changes commensurate with that. StraightLine and the people that work in the research department are wonderful at choosing great managers and we are also very adept at understanding things that move the market – but, and this is a big but – we do not try and time the market. All we can really do is give you our best and most informed opinion.

To take advantage of what we see as opportunities we recently traded all of our accounts to set the asset allocation back to normal levels; meaning that the recent growth in the markets allowed the equity side of the portfolios to get out of balance. We also rebalanced the accounts to add more to dividend paying stocks (value), natural resources (precious metals and energy), select international, and inflation protected securities. As always if you have any questions – please give me a call.

**2009 Market  
Performance  
YTD  
9/28/09**

**S&P 500  
+19.91%**

**MSCI EAFE  
+28.68%**

**BarCap US  
Aggregate  
Bond  
+5.76%**

**BarCap  
Municipal  
Bond  
+13.75%**

**Dow Jones  
Industrial  
Average  
+14.38%**

**NASDAQ 100  
+40.59%**

*\*Market Data  
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