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## **A Bear Market?**

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**When it rains, it pours! Sunday was torrential. First, I was somehow convinced to take my wife and kids along with my brother and his family to something call the Laurie Berkner Show. You can Google her and see for yourself why I would have done almost anything else with my family but that. Not to mention that my sister-in-law had the opportunity to buy tickets at the pre-sale, which ended up being the very last row in the balcony!**

**Since my Cowboys obviously did not make it to the big game, I was left with my two LEAST favorite NFL teams in the Super Bowl. How do you root? What I ended up doing was convincing my Giants friends to bet me without the point spread. I took all of their lunch, dinner and drinks bets! That didn't end so well!**

**And finally, when the game was over and I was still in shock, it was time to go to sleep. That was until our cat power vomited all over the wood floors and railing heading downstairs as a result of being given a bowl of milk by someone who will remain nameless. And given my wife is still pregnant, I had the pleasure of cleaning up the disgusting mess!**

**Yes, Sunday was just not a good day!**

**Let's spend a few minutes talking about the stock market's action on Monday and Tuesday. First, from the October highs to the January lows, the major indices declined more than 20%. That's scary in itself! From the panic low I've discussed several times to last Friday's high, we've seen about a 10% rally. Throw in the almost daily 1% moves in the market and you can argue that this may be the most volatile stock market in modern times.**

**Now that I have stated the obvious, let's continue to discuss where we are in the whole process. Probably the most asked question I get now is whether we are in a bear market. The pundits declare a bear market once the major indices decline 20% from their highs. I don't really find that much help with investing.**

**My definition of a bear market is when the price of an index is below a declining, key moving average, like 100, 150 or 200. From there, I like to separate the short ones from the long ones. Cyclical bear market, lasting 1-6 months, occurred in 1987, 1990 and 1998. Secular bears, which last years, occurred in the 1970s and first three years of this decade.**

**Today, I believe we are seeing a cyclical bear market that will be over by the time most investors read their first quarter's 401K statements, which won't be pretty! It's during these hair raising, stressful times when I get the most calls and emails from folks with accounts at Vanguard, Schwab and Fidelity, especially those in the popular index funds.**

**I am not trying to pick on any company, but when I ask these folks why they didn't call their own money managers, they explain to me that the telephone reps are as bad as trying to get through to technical support with your cable company. And by the time they get connected, the reps never give them any advice anyway, just don't sell!**

**Isn't that like always being told to reboot or unplug your cable to solve the problem?**

**As my wife will tell you, I am far from perfect! I may think I am, but she always reminds me that I'm not. However, I can unequivocally state that I communicate more with clients during turbulent times than quiet ones.**

**Sure, I like to touch base at least weekly by email and monthly or quarterly by phone, but when the markets are emotional and volatile or our strategies are struggling, you can bet I am in constant contact with all of my clients. It baffles me when I hear stories about unreturned calls and emails at other shops during poor periods of performance. But I guess their mistakes are my gains!**

**Let me close this topic by saying this. If you are not getting the service you expect, then move your portfolio to another advisor. It's as simple as that! Stop making excuses about year-end or the holidays or tax time or vacation and start taking control of your money. If you don't respect it enough to do something, then how can you expect someone else to?**

**And with year-end statements out for more than two weeks and 1099s recently mailed, it's also an opportune time to review how your portfolio did in 2007. I plan on discussing this in more detail in my next email.**

## **Can the Headlines get even Worse?**

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**After an almost vertical rally from the panic bottom on January 22nd and**

**And if we see a full fledged revisit of the levels seen last month, I expect the news to worsen with Ambac and/or MBIA being downgraded or worse. Rumors are beginning to circulate about derivatives problems at Citibank and JP Morgan, just like the Long Term Capital debacle at the October 1998 lows.**

## **This Time is Different for Rate Cuts**

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**As far as the Fed goes, my usually critical stance has been much tempered following Rip Van Bernanke's sudden awakening to an "emergency" 3/4% rate cut and another 1/2% scheduled cut. They are far from done! I expect another 1/2% to 1% by summer at a minimum.**

**But please keep this in mind. Rate cuts are good at laying the building blocks to restore confidence in the markets and the economy. But their actual efficacy takes 6-12 months to filter into the system.**

**That means that the rate cuts from last August have not even made it into the economy yet, let alone the avalanche of recent cuts. And the upcoming fiscal stimulus package hasn't even been solidified yet, let alone "checks in the mail"! This is all going to take time.**

**I continue to be amazed that every time the Fed needs to step in and shore up the system with lower rates, we hear, "this time is different". It won't work. As I've mentioned before, it worked after the crash in '87. It worked after the credit crunch and S&L crisis of the early 1990s. It worked after the Long Term Capital debacle. It worked after the tragedy of 9/11.**

**And it will work this time as well, but people need patience.**

**I've written much more than I planned and it's almost midnight. Why exactly did I stay up watching the Super Tuesday results? Won't they be the same in the morning?**

## **Refer a Friend**

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**Our firm and this newsletter continues to grow mostly from your referrals. If you know anyone who is interested in securing their retirement, planning for it or just plain worried about it, please send them here. As always, thanks for thinking of us with your circle of family and friends.**

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