



Monday, July 14, 2008

### **The Bears Have It – Major U.S. Markets Swoon**

Dear friends,

A perfect storm of credit and money supply concerns, plus resurgent oil prices – light crude hit \$147.27 a barrel in Friday trading – conspired to keep all three major U.S. market indices in bear market territory Friday. The Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks), traded below 11,000 for the first time since August 2006 but finished at 11,100.54. The S&P 500 (an unmanaged index of 500 stocks) and the NASDAQ composite (an unmanaged index of all common stocks listed on the NASDAQ National Stock market) both finished the day in bear territory, as well. Despite the week's volatility drama, however, those figures were off only small percentages from the pre-Fourth of July close for each of the indices.

A primary cause of the initial meltdown was widespread concern that the two U.S. mortgage giants, Fannie Mae and Freddie Mac could fail, despite Bush Administration assurances that won't be allowed to happen. Shares of both plunged wildly in the morning. Hundreds of millions of shares were traded as Fannie Mae recovered for a small loss on the day, while Freddie Mac lost more than 20% of its value from the previous close.

No one likes to hear about bear markets. It's easy to forget that by definition, better times should come – but no one can tell you when. Over the past 65 years, bear markets have lasted about 10 months on average, some considerably longer. The first one of this century was deep and one of the longest on record, from 2000 to 2003. The long bull market that followed reached its peak in November 2007, and, in fits and starts, has been turning toward bear territory since then.

Where will the market move next? There's never a shortage of opinions – but no one actually knows. Doing nothing isn't an answer. Instead, focusing a watchful eye on market and market-sector trends for opportunities while maintaining a long-term viewpoint is historically the

best course. If you have concerns about your portfolio during these troubled times, don't hesitate to call. We may not always be pleased with the path the markets have taken, but it's always a pleasure to hear from you.

Sincerely,



Jonathan Wax, CFP®  
President & Chief Executive Officer  
Waller & Wax Advisors, Inc.



Laura Waller, CFP®  
Chief Investment Officer  
Waller & Wax Advisors, Inc.

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Raymond James Financial  
Services, Inc.  
Member FINRA/SIPC

100 North Tampa Street, Suite 2150  
Tampa, Florida 33602  
(813) 221-1956 or (813) 221-1747 Fax