

Small Snippets of Good News Drive Markets Higher

For the first time in more than a year, the major stock indices recorded a four-day winning streak starting on March 10. The Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) finished at 7,223.98, up 597.04 points or 9% for the week. The NASDAQ (an unmanaged index of common stocks listed on the NASDAQ National Stock Market) finished at 1,431.50, up 9.2% since its close on March 6, and the S&P 500 (an unmanaged index of 500 widely held stocks) moved up to 756.55 for a gain of 10.7% for the week.

Minor news that in a less recessionary atmosphere would hardly register appeared to drive the market. Citigroup's CEO, in an internal memo, said the bank was operating at a profit, having its best quarter since 2007 – and likely won't need more government funding. Bank of America's CEO made similar remarks a day earlier.

To no one's surprise, the supply and demand concept is still operating well. As gas prices dropped, Americans resumed driving more. Demand in early March is up 1.6% compared to a year ago – and the higher demand is boosting prices. But, with the price still under \$2 a gallon, more SUVs are moving off the car lots, accounting for 30% of total U.S. auto sales in February, according to Edmunds Inc., which tracks the car industry. That's an increase from 22% in July 2008, when gas prices exceeded \$4 a gallon.

There also seems to be even bigger news that has the potential to really be a game changer to rally the market. Congress right now is examining to either suspend or amend the Mark to Market accounting rule that played a large part in the market downturn. To give everyone a brief overview, the Mark to Market accounting rule has been in existence for quite some time, but was only re-instated in 2007. What the rule does in a nutshell is requires companies to amortize financial assets such as mortgage backed securities that are amortized historically over 30 years and causes them to be re-valued over a 1-2 year time period. This created a big disconnect in pricing that contributed significantly to many financial firm's balance sheets that were turned upside down in 2008. When the market can't fairly value an investment, we have all seen the results over the past year of its affect. This disconnect in pricing caused a systemic decline in the value of securities and affected the capital required by financial companies that they are required to keep in reserve resulting in billions of dollars in losses and write-offs. This suspension of the Mark to Market accounting rule has been what Warren Buffet and many economist have been demanding for a long time that could potentially avert the government having to put billions more of our taxpayer's dollars into financial companies. If Congress will hopefully make the right decisions, we could get an early Christmas present right in time for the other \$2 trillion in stimulus to hit the economy, and also as the housing market can potentially pick up pace as people take advantage of record low interest rates and house prices over the next 4-8 months. I do not want anyone to mistake me for being a Pollyanna, just cautiously optimistic for the future as the actions of our government start to take affect.

Optimism has been a rare commodity over the past 18 months. If nothing more, this week's positive market news should encourage you to monitor your situation and be prepared to contemplate moving back into the market whenever a turnaround actually occurs. An encouraging report in *Barron's* this week showed that since 1871, every weak 10-year market period, like the one just ended, was followed by a strong market performance during the next 10-year span. However, past performance is not an indication of future results.

Financial Planning Recommendations – As I have talked to many clients and colleagues over the past few months, it has become increasing clear that looking at one's budget over the near to mid term has been the driving force behind many client's financial planning short term agendas. While we are all at different stages in our lives, reassessing where one spends their money can make a large impact on cash flow and being prudent during this recessionary period. Take a red pen to any items that you can live without and see how much it adds up to each month and over the course of the year. I have personally done this with my own budget and found significant savings that I was shocked as to where I was spending each month. Some pundits might say that if we all do this, the economy will go even further down as people stop spending. What I am advocating is to spend wisely and reallocate your funds to what counts most in the long run such as saving for retirement, re-modeling your home if it needs upgrading, buying a new

car if warranted, or tithing more to your church that could be experiencing a bigger need with their ministries. These are purchases that will stimulate the economy. If you have children that are of the age that can work to help support themselves, now is a great time to have them learn financial responsibility by having them pay for the discretionary items teenagers want but don't necessarily need (Ipods, laptops, gas for the car, Starbucks coffee, dinners with friends, so on) The lessons our children and grandchildren learn during this time will last them a lifetime. Help them understand that earning money is hard work and saving it is even harder so when the time comes for them to inherit funds or manage their own finances, they will be better equipped to make prudent decisions. Be honest with your children about finances. Have a realistic talk with them about today's situation at home or with the overall economy. They can handle it. They might not like what they hear but once they know what needs to be done, I think that you will find, they also will roll up their sleeves and want to help do what they can. By saving a little money in areas we all neglect, you might be surprised how affordable that summer vacation might really be or continuing to fund a charity or church that also might be experiencing economic hardships so that they can continue to support their ministries to the poor or members of their church whom have lost their jobs.

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Please feel free to e-mail me at rich.hendry@raymondjames.com or call me at 678-578-2430 or toll free at 877-811-9090 to discuss any market concerns or financial planning that needs to be done for this coming month or year. Visit us at www.richardhendry.net. **We are proud to be part of your wealth management team.**

Sincerely,



Richard P Hendry, CDFA
Registered Principal

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