

February 2011

80% (Gulp?)

My index moved to 80% during the month of January, only the third time in the last 10 years that this index has had readings of 80 or better. It doesn't usually stay at 80% or above for very long. The longest was a period of some four months back in 2004. When the current rally started in March of 2009, the index was at about 12%. So, we've come a long way. This doesn't mean that the market will or must fall soon or precipitously; rather, it is an indication that the risk level is higher now than it was a while ago. At some point in the not-too-distant future, the market will likely turn down again. That has been the pattern historically, although we might well ask, in these tumultuous times, whether any patterns are as dependable as they might once have seemed.

In any case, this market has moved higher over the last several months as investors have become encouraged by the durability of the recovery. The initial investments in this market surge were in high dividend possibilities—utility stocks and funds, for examples—and are, slowly, shifting to riskier equities. Still, most investors have been cautious during this rally. Caution remains a virtue. This is not the time to unleash speculative tendencies.

The final quarter of 2010 showed some good numbers: a peppier economy, good corporate profits, and it follows that the markets would respond. As I write, the Dow Jones average is above 12,000 for the first time in what seems a long while. The immediate future looks pretty good. When, however, we try to look six, eight, twelve months down the road, we may experience that little shudder of uncertainty. How long, we wonder, can a mostly jobless recovery endure? What happens now as the stimulus funding winds down? Was the decision to continue the Bush era tax cuts a good idea for the long haul? We've pulled back from the brink of a total collapse. What kind of ground are we standing upon now?

Now, as always, our economic future lies chiefly in the hands of folks in various leadership positions, some elected, some not. We apparently have little to no control over the Big Bankers and the Goliaths of the hedge funds. Our hopes focus on our elected leaders. They have much to do if the next phase of our economic development will serve us all—the laborers in the vineyards, the middle class—and not only the leaders, who, you may have noticed, seem to be doing OK no matter how things go. The one thing politicians should surely have learned from the last election is that we are able and eager to throw them out of office if they don't start doing good things for our country. And as the Constitution stipulates, it is the **common good** that must prevail.

Housekeeping item: Schwab will be sending out its tax forms (1099s) a little later this year than in the past, probably by the middle of this month. The hope is that this later date will require fewer corrected forms than in some previous years. The number and types of entities reporting information to be included on the 1099s has expanded exponentially over the last several years, making it impossible to get these forms out earlier and still have the correct information on them. For those of you who would like to get your taxes off to the accountant earlier, this may be an inconvenience. For those who wait until April 14th to do your taxes, this delay will not be among your major problems.