

## The Tonge Telegraph

### April 2003

#### **Crocuses**

Could it be true? Is spring really here? I think it is, and what a joy to welcome warm weather back into our lives after a very long and cold winter.

Of the many changes in the market over the last month, nothing encourages me to believe we're on the road to recovery. We had a small, war-related rally that lifted the Dow some 500 points. Most of that rally was based on the theory that the war in Iraq might be short, a hope we all share, but at this writing there are doubts and questions. The unfortunate part for stock markets (to speak only of that aspect) is that every time there is a problem or a setback in Iraq, the markets react negatively.

This really irks me. The markets should not react reflexively to every update from war correspondents. The war is an event that will affect the rest of our lives. As it generates so much uncertainty in our media-ridden existence, so does it foster large uncertainties for the market. But the war is not congruent with our economy; and when it is over, the stock market will have to return to looking at the growth of our economy for inspiration.

During the last month, I have spoken with many clients who have reached their maximum allowable pain from stock market losses. It is a very hard time to stay the course, and only a few clients are now fully invested. To minimize further losses, most people have a substantial amount of cash or bonds in their portfolios. It does not look to me like a time to get out of the market, but it is surely a time to make adjustments to accommodate your comfort level with your investments.

John Templeton, one of the most famous investors of our time, used to say that the time to invest was at the point of maximum pessimism. We're seeing signs of maximum pessimism as people get fed up with the state of their investments. For most people, this frustration lies not with the losses themselves but with the fact that the losses are now beginning to bite into the original principal, not just the profits.

This recessionary period, like any other, has been difficult for all stock market investors, but I think we're closer to the end now. Not much that is substantial or sustainable will happen until the war with Iraq has a clear denouement in sight. Until then, try to be patient, turn the TV off once in a while, and stroll out to the nearest garden to study the crocuses. They're a remarkable model of triumph over adversity.