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Summer Begins

Another month has come and gone. May was something of a yawn in the stock markets, some shuffling about but not much progress. The economic news is still good, with increases in both consumer confidence and factory production reported at month's end. Still, the markets seem to march in place, apparently awaiting real economic improvement, not motivated by a mere light at the end of the tunnel.

In my judgment, the improvement in the economy is not an illusion. It's real. What's unclear is its longer-term promise. Historically, the markets would already have shown new vigor, moving six months in advance of the economy's resurgence. This time, however, the markets are apparently taking nothing for granted. Some mergers and consolidations have not yet lived up to expectations. Daily reports of possible new takeovers, friendly and otherwise, keep the ground shifting. There is no doubt that the international situation still weighs heavily on the markets. Add to the perennial tension of the Middle East the very real threat of war between India and Pakistan.

With that as backdrop, we enter the summer season (finally!), traditionally a very slow time for the stock markets, for several reasons. You and I and much of the northern hemisphere take vacations. Summer is a time to relax and let the buzzing of the world diminish to a lower, slower register for a while. Much of Europe takes an entire month off. Paris and Rome are ghost towns in August. In some industries no business is done for part of the summer. Most offices in the northeastern United States work shorthanded as everyone tries to get to the beach, the mountains, between June and September. Same scene in stock brokerage houses, mutual fund businesses, and trading desks in New York. The net result is that there are fewer people managing the workload and they are too busy with day-to-day activities to undertake a flurry of trading activity in reaction to some press release. It isn't that they're not paying attention. They're just not looking to create a whole bunch of work when they know they're shorthanded.

This year, perhaps more than most, I look forward to the markets taking a little break. The last nine months have been very trying for corporations, the markets, the economy, and the country as a whole. It has been a very tense time in America. Individually and collectively, we have persevered and now deserve a little rest.

My nature is to be cautiously optimistic, and all the indices encourage that posture just now. I am still holding some cash in accounts but the majority of the money that is to be put into stocks is already invested. I expect the economy to show real growth in the coming months and for the stock markets to move forward after a somewhat quiet summer. For the time being, though, doesn't that hammock in the backyard look inviting?