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Weather Report

It's been a stormy several weeks in the marketplace. Early last month, we saw US markets hit a high point just in time for the new Fed Chairman to begin opening his mouth. Following some remarks he himself later thought ill-considered, the foreign markets sold off sharply. The US markets sold off and recovered. It's not that what he said was all that bad; it's simply that we haven't yet learned how to interpret his remarks. Instead of easing our anxieties, his remarks set off a mild panic. He was saying "Let's be cautious," and some heard, "The sky is falling!"

Chairman Bernanke is still finding his footing, discovering that when he speaks, not only do people listen, they also translate. There is no such thing as a casual conversation for this man. The financial world studies his every utterance, including pauses in sentences and blinks of the eye, seeking anything useful to get a leg up on what he's going to do next with interest rates. The bottom line: he's going to do what he thinks is best for the US economy. That's his job!

I often find the need to point out that the sky is not falling. The US economy is doing very well and other economies are doing well also. We are not free of problems, of course, internal and external: inflation, interest rates, deficits . . . North Korea, and the "I" countries, Iraq and Iran.

We need to cope with the anomaly that we are doing altogether too well just now. The persistent signs of inflation exist because prices are indeed rising. It has been something of a conundrum for the Federal Reserve to observe healthy economic activity in spite of increases in energy costs and interest rates, our unruly deficits and the rest of it.

So, where does this leave the markets? After an abrupt selloff, US markets seemed to find their bottom, then climbed fitfully back toward their recent high point in March and April. There's been considerable repositioning as profits were taken and the search for new leadership in the stock market began. This is not an unusual scenario. The stocks that have done very well in the previous six months or a year get sold to protect the profits because nobody knows how far the market will decline. Then the questions arise: which stocks will lead the next phase of the bull market? Will it be the same stocks that were strong in the last phase or will some other sector, industry, or group of stocks lead the way? Sometimes this search for new leadership takes time, particularly during the summer months.

A balanced perspective is the key. These selloffs happen periodically. They are not the most fun part of investing but they certainly capture our attention. At this point, the markets may have finished their bearish behavior for a while. It looks like a suitable time to put some more cash to work in new investments through the summer.

May the breezes fill our sails!