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Dog Days

The Dog Days of summer are back. Wall Street, just like Main Streets all across America, is on the anvil of this summer's hammer of a heat wave. People have escaped to vacation spots, trying to ignore the headlines and relax on the beach or in the mountains. The markets are quiet but there are ripples, a slight but discernible shift in the wind.

For the last several years, the markets have been dominated by the small cap and value companies. A long-anticipated shift towards large cap and growth, the Blue Chips, is starting to take shape. This is neither good nor bad; it is just a shift and it happens every few years.

The timing is right. The economy is on good footings and it makes sense that the markets would be moving in a positive direction. What remains is for some particular group of stocks to take a leadership position, and the movement toward large cap could be just the thing to perk up the Street, moving things forward this fall when everyone gets back to work. As usual, we will have to wait and see if this actually does happen.

One interesting aspect of this shift is that it coincides with the shift in the working status of the Baby Boomers. The first of the Boomers are reaching retirement age. Estimates are that 10,000 boomers step across the line into retirement age every day. In a couple of years, this number will reach 18,000 per day.

The Boomers have been the dominant force in the economy for over 50 years. Every time they have reached a new milestone in their lives, that market has surged. It started with baby carriages and washing machines in the 1950's, moved through high schools, cars, colleges, housing and on and on through the 80's, and 90's. Now they are edging into retirement. Needs—and lifestyles—are likely to change. This will create opportunities for many companies and create problems for others. Think health care or tourism, or maybe a smaller second car, and so on.

It would be great if the actions of this generation were indeed predictable but they never have been. Nobody has made more money or spent more than this group. They have been on a 30-year spending spree. Some will have the ability to keep up that level of spending in retirement while they enjoy the health they have nurtured over the years. Others may not be able to—or want to—continue at that pace. For a recent analysis of this subject, paste this into your browser: www.ml.com/index.asp?id=7695_7696_8149_46028_46503_46635

As always, these are interesting times. The playing field is constantly changing and that is one of the things I love about my work. Dog days of summer or the cold of January, it is never dull at my desk. Keep cool if you can!