

September 2010

Black? Gray? Striped?

What the markets gave us last Friday (164-point gain), the markets took away from us (140-point loss) on Monday. As we gaze into our fashionably cloudy crystal ball, what does such a yo-yo action tell us? Perhaps it tells us that September is upon us, traditionally the most treacherous of seasons for investors. Here's my cartoon for what happens: after a long summer of lying on the beach, the big traders return to their New York offices feeling compelled to . . . Do Something. Perhaps irritated at being removed from the Hamptons, disliking the situation before them, they start selling things. Before you can say More Margaritas, we've got a rilly, rilly tasteless scene before us with lots of hurt to go around.

So then, quite apart from the autumnal palate, what hue will this September's markets wear? Perhaps only September of 1929 truly deserves to be called Black. Some Chicken Littles out there have been predicting economic doom—double dip recession or even that other D word--almost weekly. But the weeks go by and they're forced to change their predictions to Apocalypse Then or maybe Then. They may be wrong, but they're not crazy. Meanwhile, mainstream marketeers, heads out of the sand, soberly acknowledge some of the perils that lie ahead. Estimates of economic growth are lower than they were last spring: we'll have growth but it will be slow or even slower for an extended period of time, a year, two years. Here's another cartoon: the prize fighter, smacked real hard . . . he's not down but disoriented, needs some time to pull his thoughts together, maybe reflect on his career choice, before he goes on the offensive again. A bell signaling the end of the round would be a good thing.

But there *is* no bell, not much time for contemplation amid all the calls for action. Maybe stripes are the mode: black and blue, now gray or white, stocks up, stocks down, investors fleeing from equities, consumers clinging to cash when they have some True for market analysts or investors, true also for those seeking large solutions. Consider the Federal Reserve Bank and its chairman, Ben Bernanke, juggling all the variables these past two years, doing the best they know how as the economy simply refuses to get much traction. The major factors—jobs, housing—must turn upward before other efforts can take effect. Much-respected analyst Allen Sinai, emerging from last week's economic summit, conjectured: the collapse of the housing market could affect our economy for the next 10 years . . . a long chapter in our lives. We survived a tsunami. The re-building lurches on.

We search for brighter hues. Here's one: increased merger activity, on the one hand a sign of the weakness of some companies such that others can afford to buy them. I see the positive side: corporations positioning themselves for the future. Here's another, small but telling: I've seen ads for jobs several times in the last week, the first one an insert in my grocery bag listing jobs available in the store, then several others for small positions. Not large but perhaps a portent of larger things to come as summer winds down. September might—just might—be brighter than usual.