

## **The Tonge Telegraph** **September 2008**

### **Searching for Leadership**

The stock market and the nation have at least one thing in common right now, a need for leadership. In the political realm, the need and the search are, we may say, right in our collective face. Positive movement in the stock market is often marked by one sector leading the way. In the distant past it was autos and railroads. Technology set the pace in the 90's. Energy companies and commodities have been the recent focal point. Somebody has to have the strength and promise to lead on the political front if the country is to stop floundering. The same is true for the investment markets.

Some faint light flickers at what we hope is the end of the tunnel (unless that light we see is a train!) I have noted previously that the US Dollar is an indicator in any assessment of our economic health and prospects. It's an ambiguous indicator: the recent improvement in the Dollar versus the Euro and Yen could argue that we are just deteriorating more slowly than those other nations are. My view: there is actual improvement under way.

The worst—but certainly not all—of the credit and banking crisis appears to be behind us. The Federal Reserve continues to receive high marks from its international counterparts for its response to this disaster. While politicians ran around trying to decide whom to blame for the problems, the Fed set about to fix them . . . with a great show of plain and simple—no BS—leadership. The most uniquely American part of this fix was that the Fed didn't even play by the rules set out by congress as to what it could and couldn't do. It just did the right thing—what a concept!

Now, back to the stock markets. Where are we really? The January rout gave way to a steady improvement through February and March acting on a belief that corporate earnings would increase in the second and third quarters of the year. But it turned out the credit crisis wasn't over, and the markets took a real beating for a couple months. (Nobody wasn't nervous about their portfolio value.) The US markets were near the bottom of all the major international markets based on performance (37<sup>th</sup> of 39) because there were no signs of a turnaround. We're now 15<sup>th</sup> of 39 and, we hope, still climbing.

We are, however, looking for some leadership in the markets. Many sectors have improved such that the average reading on my indicator is now 44 and improving—it was at 16 in the January selloff. The high reading following the March rally was 54. All sectors are bunched tightly now with none above 50 . . . not a bad situation at all since there is plenty of room for growth. What we need is for some sector to start earning money, leading the way out of this recession. All votes in this race are cast with the pocketbook. The other leadership race has some distinct pocketbook issues as well, not to forget all the other items the next president will have right in *his* face.