



Market Comments

Last Month's Call Looks Good Right Now

Last month I suggested that we were being presented with a buying opportunity similar to those of 1987 and 1990, saying "Simply Put, Buy".)

Well April certainly was a strong month, to say the least. The Dow gained 8.7%, the S&P 500 was up 7.7% and the beleaguered NASDAQ soared 15%, it's best month ever. Small companies also were strong with the Russell 2000 rising 7.7%.

The charts to the right offer a visual depiction of the stock market behavior for the past year. Here are some thoughts about where we are and what to expect for the balance of the year:

1. A strong month such as we have just experienced is often followed by some backsliding. Just as I warned after January's strong climb, the market is just not likely to keep going up without at least some "backing and filling".
2. The longer-term downtrend has not been decisively broken. The DOW is still in a sideways corridor and the S&P and NASDAQ are still toward the downside. To verify an upward long term trend may have begun, the DOW would need to break through the 11,200, maybe even 11,500 barrier and be able to hold above 11,000 on any pull-backs. That line for the S&P 500 would be around 1375 and 510 for the Russell 2000. The NASDAQ is harder to measure because of its steeper decline.
3. If you were going to need cash over the next couple months, I would certainly sell what you need now to be safe.
4. Continue to add to your stock investments, especially on downturns of 3% or more.

Interest Rate Rise Hurts Bonds, Shows Market Concerns About Inflation: Unnoticed by many investors is the fact interest rates have been rising since late March. Considering the Fed lowered rates another .5%, this is significant. The economy is not yet as healthy as we would like.

Outlook: I look for more stock market volatility over the next few months. I still hold out hope that the year will end up positive for most stock indices. Inflation and interest rates need to hold and earnings reports gradually improve.