



## Market Comments

### THE ECONOMY SLOWS

Economic growth slowed during the third quarter to 2.7%. This was a bit below many experts' expectations and indicates that the Federal Reserve interest rate hikes along with higher energy prices are having the desired effect.

Other data indicate enough slowing that the danger of additional interest rate increases has lessened. A rate decrease in early 2001 could even be a possibility. The Employment Cost Index rose at a reasonable rate. Home sales were down, as were personal savings. Other areas such as unemployment and durable goods orders also seemed to support a slower growth scenario.

### BONDS LOOK STABLE WITH POSSIBLE GAINS AHEAD

This should be positive for bonds, and as long as there is no foreseeable recession it could help stocks to gains in the last two months of 2000.

### STOCKS SHOW SOME POSITIVE ACTIVITY

The past week has shown some very positive movement in the stock markets. While not yet a breakout signaling a strong rally, the activity looks more positive than it has since mid summer. Both the Dow and the New York Stock Exchange are showing some strength. The NASDAQ is still shaky, but there are some positive signs there, too.

### INTERNATIONAL STOCKS STILL SWOONING, BUT SHOULDN'T BE IGNORED

International stocks have been disappointing to say the least. Even after a few strong days at the end of October and yesterday, the EAFE index is still down 14.7% for the year and emerging markets are down over 25%. But history indicates that what goes down so far usually goes up eventually and when it does the gains can be enormous. Remember the adage, buy low and sell high.

### ELECTION IMPORTANT BUT NOT AS MUCH AS SOME THINK

Will the election have an effect of the market? Possibly on a short-term basis, but the long-term depends on whether the new administration and Congress actually behave in ways that support business. Ultimately the performance of stocks depends on just how productive and profitable companies are.

Assuming the government does not get in the way, the prospects for productivity and profits are positive for the next ten to fifteen years. There are many pitfalls and minefields to avoid, but this writer remains positive overall.