



# **STAAR<sup>SM</sup> Strategies Report**

## ***SALE!***

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***DOW Off 12%*** from its high point!

***S&P 500 Off 11%***!

***Russell 2000 (Small Cap) Off 19%***!

***NASDAQ (Tech-weighted) OFF 34%***!

If you liked it last month, then you ought to like it even more now! Every so often the stock market goes on sale. Sure, prices could go lower, but hey, it's still a lot lower than it was.

Now is the time to have the courage of your convictions. Don't lose perspective. This isn't the first time a market has crashed and it won't be the last. In fact, only the NASDAQ and certain growth sectors have really "crashed". The Dow Jones Industrials and S&P500 are more in a corrective pattern.

What can we learn from the past? Consider the worst market periods of the last thirty years. The 1973-74 drop of over 40% was the worst. But even if you had bought the DOW at the top, you would have broken even in about 38 months if you just held on. And if you bought at the dips, even if you didn't "time" it perfectly, you would have made money. From the bottom, it took about 16 months to recover.

The other major drops in the DOW occurred in 1987 and 1990. From the bottom it took about 12 months for the market to recover in 1987-88 and less than six months to recover in 1990-91. In 1973-74 and in 1990 the market drops heralded recessions. There was no recession in 1987-88.

Does the current downturn forecast a recession? It doesn't look that way. This seems more similar to 1987 when excessive prices of stocks underwent discipline. The current housecleaning in the NASDAQ and growth sectors may in fact be healthy. Investors had been ignoring fundamentals and these markets were becoming speculative. If the economy is not going to slip into recession, the stock markets could resume a more rationale growth pattern soon. So, while stocks could go lower, don't give up the ship. And if you've got courage, think about buying!