

August 2011

Panic, Concern, Worry?

Think back approximately three years ago, when we worried about the banks surviving the financial crisis and there was a looming question of confidence in our global banking system. That meltdown was painful, especially since many public companies could not make projections on the future growth to their earnings; or at best their collective forecasting ability was extremely clouded.

That cycle is largely behind us, as is the debt resolution (for now), and the market is focusing on the economy. It is possible that we enter another recession – it is not evident in the current economic data, but this can worsen and we will stay alert to the possibility of what is termed a double-dip recession: one down economic cycle followed by a brief expansion followed by another down economic cycle. The risk of this occurring, in our opinion, is slim for now. We believe the selloff in the stock market over the past week is way overdone, although a correction in prices seemed necessary in order to reflect an economy that is growing slower than economists had predicted a few months ago.

We do not panic, since emotions cloud rational decision-making. We clearly remember from a few years ago that client portfolios left intact, without major shifts to one's overall allocation, rebounded fine a couple of years later (and that occurred with over a 50% drop in stock prices versus this recent quick 10% or so price drop). No guarantees this rebound will repeat and we constantly worry about different events affecting your portfolios, given any economic cycle and domestic or global crises.

As has been true - time and time again, though past performance does not guarantee future results – we believe this too in time shall pass and cooler heads prevail.

Please stay cool, have a great weekend and enjoy the rest of your summer.

As always, call or email us with any questions, comments or concerns.

Thanks and regards,



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