

May 7, 2010

Just a brief thought on yesterday's market action...

Sometimes the best thing to do is nothing. Observing without emotion keeps rational thought intact and I believe we cannot add value to our portfolio management process when emotions take over.

The majority of trading today occurs electronically, without the help of specialists whose main function used to be to create and maintain an orderly transaction flow. Information is almost instantaneous and no one can decipher information as fast as it is delivered. It's like taking a drink of water through a fire hose.

From the March 6, 2009 low of 667 to the April 26, 2010 high of 1220 the S&P 500 was up 83%. In my opinion, the market had recently become overbought, moving higher without a necessary correction in prices. Imagine holding your breath without breathing for a long time - the market, blue in the face, is now taking a deep breath. After yesterday the market is down 13% from the April 26 high, and is now in a corrective phase – this can last a few days to a few months, but we still believe the uptrend that began 14 months ago is still intact.

We remain vigilant, constantly observing yet not overreacting.

As we have said many times over the years, cooler heads will prevail.

Please call us if you have any questions, thoughts, or concerns.

Past performance is not indicative of future results.

Warm regards,



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