

A FAMILIAR PATTERN?

April 2009

In last month's article I wrote about several characteristics that distinguish a stock bear market from a bull market and included a chart for illustration. After receiving several follow up questions I decided to include another chart to expand on last month's concept. Compare the first chart below of the Dow Jones Industrial Average ending April 22, 2009 with the second chart ending in 1932.



Source: *The Wall Street Journal*



Does the pattern look familiar? The downward trend is obvious, but do you also notice the series of lower highs and lower lows? During the Great Depression (used for illustrative purposes) there were seven segments of decline that occurred over a three year period. The current decline

has experienced five segments of decline over a one-and-a-half year period. Time will tell whether the current upturn in the top chart is the beginning of a new cyclical bull market or a bear market rally that rolls over to a new low. While I hope it is the former, we can not rule out the latter. But if it is the former, keep in mind that it is possible the market will “retest” the recent low before moving higher. You may recall that six months passed from the initial low in September 2002 to retest that low in March 2003. Keep in mind that past performance of the market is no guarantee of what will happen in the future.

For investors who have reservations about the stock market, there is good news – there are other markets and strategies that exist for investment in addition to stocks. One of my favorite quotes comes from a past colleague who said, “You don’t have to make your money back the same way you lost it.”

For readers who are not current clients, I would be happy to talk with you to review your current portfolio and strategy to identify changes that could be of benefit in this challenging market environment.

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