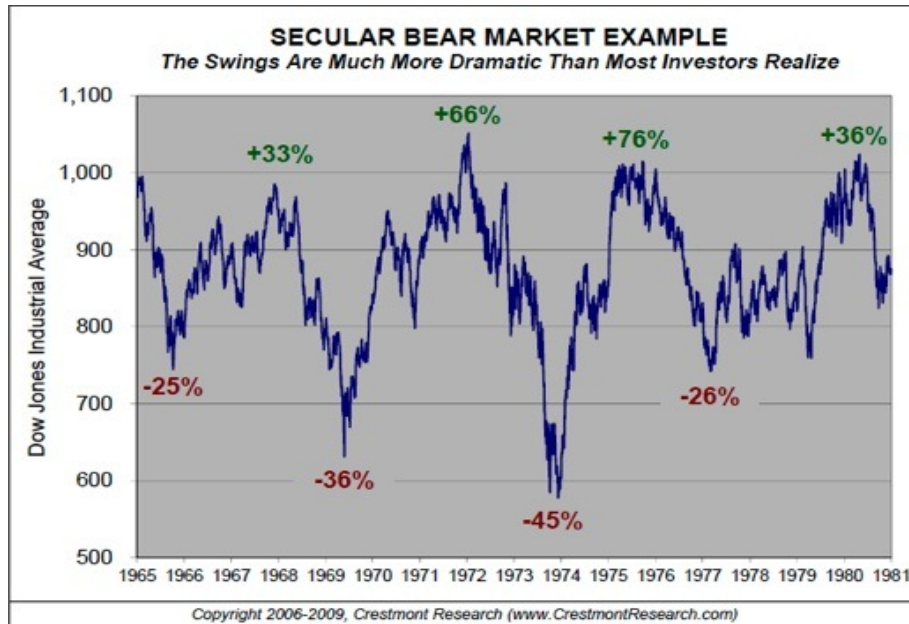


WHERE'S THE TIPPING POINT?

By: Jeff Link
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In my February 2009 article entitled *Changing Gears* I wrote about the general differences between secular bull and bear markets and provided reasons for why I believe we are currently in a secular bear market. For clarification the word secular is defined by Wikipedia as “long-term.” For this month's article I am providing the graph below of the last secular bear market as illustrated using the price change of the Dow Jones Industrial Average from 1965-1982.



Three outcomes are evident from what transpired during this period of time. First, **volatility was the norm – not the exception**. Second, **prices traded sideways** (in this particular cycle) for seventeen long years. And third, after accounting for inflation many investors **lost the buying power of their savings**.

The question you may be thinking is whether the future will repeat the past? In short, it is not very likely in my opinion. But it is possible it will rhyme. In the current environment it is prudent, if not essential, for every investor to understand the risks they are taking with their specific investments, as well as the unique strategy they are using.

David Rosenberg, the former Merrill Lynch economist, said this recently: “In a secular bear market, rallies are to be rented, not owned. But in a secular bull market, corrections are opportunities to build your long-term positions at better prices, as was the case with the crash of October 1987.” Remember, no market goes straight up or straight down, and sometimes they just go sideways for a long time.

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