

January 8, 2010

On March 16, 2009, the American Association of Individual Investors published the results of a weekly survey of stock investors. The survey indicated that as of March 4, 2009, 70% of them were bearish, the highest bearish measurement ever recorded by this study. As we all know, the bear market bottomed out just five days later on March 9, 2009. *Kiplinger's* magazine identified the people who had been most right in their 2008 predictions and asked them what they thought was going to happen in 2009. Not one of them predicted what actually happened: a dramatic rise in stock prices.

One of the “gurus” that *Kiplinger's* interviewed was economist Nouriel Roubini from New York University. Mr. Roubini told *Kiplinger's* readers, “I think there is a further 15% to 20% downside risk for global and U.S. stocks, and a further 15% to 20% downside risk for commodity prices. So 2009 will be a year of recession and deflation.” The worst advice was given right at the bottom in March, when global stock prices were about to reward patient investors with an amazing rally. Here's what *Business Week* reported in the March 5 issue: “We are looking at a 60% to 70% chance that this bear market is not over,” says Robert D. Arnott, chairman of Research Affiliates, a Pasadena (California) firm that manages \$25 billion.

One of the **most important** jobs we do—and that you never see—is reading. One of the **hardest** jobs is deciding what to believe. I'm glad we didn't believe these experts! The unhappy truth is that nobody can foresee the future, and the investment markets tend to be far less predictable than other areas of our lives. We control what we can control (asset allocation, manager selection, costs), with the goal of making more money in the upturns than we lose in the downturns.

The bottom line is that while stock prices are not as low as they were in March, by historical standards they do offer reasonable value. I think the positive aspects of the economy outweigh the negatives. We may not see the rapid growth we have seen in the past (government spending and debt are probably the biggest hindrances), but I believe we will see solid growth.

As a reminder, the Required Minimum Distribution will resume in 2010. Also, the Qualified Charitable Distribution has NOT been extended for 2010. We will have to see if Congress votes to extend it.

Best regards,



Mike Miller, CFP®