

April 7, 2010

I posed the following question one year ago in April 2009: “Can stocks continue to rebound, even when the economy continues to struggle?” At that time, many people assumed that 2009 would be just like 2008. This past year has been a good reminder for all of us that stocks can rebound as the economy continues to struggle. People now seem to be more optimistic and hope that 2010 will be just like 2009. Instead, 2010 will probably be very different from 2009.

Nobody knows whether the current “sunny” investment climate will continue or whether the strong market returns of the past 12 months will give way to a new bear market. However, one indicator suggests that we may not be walking blindly into another frightening meltdown, like the one we all experienced in 2008 and the first two months of 2009. The Chicago Board of Options Exchange measures volatility in the stock market by its VIX index—which is, more precisely, an expectation of volatility and risk over the next 30-day period. It is sometimes called Wall Street’s “fear gauge.” On November 20, 2008, the VIX index hit a ten-year high of 80.86. On March 23, 2010, the VIX index closing price stood at a more historically normal level of 16.35.

I don’t think the economy can fully recover until jobs come back. However, I still think the stock market has the potential of increasing 10% in 2010. Rusty Leonard, Chief Investment Officer of Stewardship Partners and my guest on *Talking Money* on March 27, said he thinks that stocks could rise as much as 20% in 2010. However, both of us agreed that the stock market could go down before resuming an upward move.

By the way, *Talking Money* can now be heard live, via streaming audio, on www.wmuu.com (94.5 FM). Many of our clients tell me they like to listen to the stock market/economic update that I give at the beginning of each program. For those of you who live outside the radio station’s signal, you can now listen live. If you miss the live broadcast on 94.5 FM, you can listen to MP3 recordings of most of the programs by going to the *Talking Money* section of our website (www.planfirst.com). The recording is usually posted by the Tuesday following the Saturday broadcast.

For those of you over age 70½, the Required Minimum Distribution (RMD) suspension was NOT extended for 2010. Also, the Qualified Charitable Distribution (QCD) was NOT extended for 2010. However, there is a possibility it might be reinstated. If you plan to use your RMD to make a charitable contribution, we recommend that you wait until later in the year to see if the QCD is reinstated.

Best regards,



Mike Miller, CFP®