

July 9, 2009

When I last wrote to you (April 8, 2009), the stock market had just finished four straight weeks of gains following what, we hoped, was the market low on March 9. I mentioned in the letter that “while we may see another downturn in prices in the near term, there are a number of additional reasons why we think the recent rebound could continue.” Fortunately, the next several months brought continued increases in the stock market indexes.

The next question is almost always “where do we go from here?” I think the economy and the stock market have a bumpy ride ahead for the next several years, but it does appear that the worst is behind us. The unemployment rate has been making the headlines lately, but it is important to remember that general unemployment levels are a lagging indicator. It is quite common for the unemployment level to continue rising even after the recession has ended. I think it was interesting that of the twelve industry categories in the Labor Department report for June, eight of them showed increases. One of the categories that showed a net loss of employment was the federal government.

An indicator I like to watch closely is the Institute for Supply Management manufacturing index. The June index came in at 44.8, the highest level since August. Even though readings below 50 typically signal economic contraction, the monthly increases in the index suggest the recession is bottoming out. *Investor's Business Daily* recently reported that “inventories are so low that any rise in demand could prompt manufacturers to raise output.” This could help set the stage for a much-stronger-than-anticipated second half of 2009.

If you would like to get our current thoughts on the markets and the economy, tune in to 94.5 FM on Saturday mornings at 10:00 and listen to the live, call-in radio program I host called *Talking Money*.

Best regards,



Mike Miller, CFP®