



August 4, 2011

Periods following all financial crises since 1875 have common characteristics. The most important is that all four crises prior to the most recent one resulted in the stock market rising an annualized 15% for more than 10 years. The most well-known rebound occurred during the 1930's. The stock market went up about fourfold from its 1932 low in spite of all of the issues facing government along with the unrest in Europe and Asia leading to World War II.

Major Financial Crises

Panic of 1893

Stock market crash of 1929

Bear market of 1973-1975

Burst of 1999 Tech bubble

Burst of 2005-2006 Real Estate bubble

It seems severe financial crisis are times when corrective actions that have lasting benefits are most likely to occur. Unfortunately, history also tells us it is when many investors sell and miss the benefits of long-term investing. It is during times like the 1990's when investors tend to invest. But by then the gains of the 80's were missed, and the euphoria of the 90's gave way to reality in the 00's.

Although I do not know what will happen with the Federal budget deficit, it is my opinion constructive improvements will continue to be made in U.S. spending policies. These improvements will lead to a continuation of the bull market that began in March 2009.

Keep in mind the U.S. government was shut down during the "Contract with America" days of Newt Gingrich with no long-term damage to the economy.

Personally, I am disappointed by the current political fiasco in Washington. But I have learned to keep emotion out of our investment strategy.

Please email us if you would like a copy of a presentation showing how our investment strategy worked over the past 5 years to both protect our clients and to keep them invested with positive results.