

Thank God It's Friday!

March 6, 2009



A brutal week on Wall Street ended on a positive note. Our rally caps worked again. It was a week full of news and events driven largely by the credit crunch. Bailing us out of recession is a big deal. Investors are looking under every rock for some sign that the end of this miserable market is near. We all know the stock market climbs a wall of worry and this week emphasized this adage yet again.

For weeks, we have been anticipating a stock market "bottom" formation to occur near November's lows and stocks continued to test these levels and violated them. This volatility is nerve-wracking. Even if the worst is behind us, as it applies to the stock market, the US real estate market and overall economy still has further downward pressures.

When investors get sick 'n tired of feeling sick 'n tired, we'll experience what we call Selling Exhaustion. There is a massive population of potential buyers sitting on the sidelines who remain skeptical but are becoming intrigued that they can buy one share of Citigroup for \$1 which is less than what we pay for each ATM withdrawal. REALLY!

President Obama used his bully pulpit this week to weigh-in on this trend. He intimated it might be time to buy stocks when he said: "What you're now seeing is profit and earnings ratios are starting to get to the point where buying stocks is a potentially good deal if you've got a long-term perspective on it." Not quite a Knute Rockne speech, but it's telling.

This Market is so oversold, and many high quality companies are ridiculously cheap. But things can stay cheap for a while if there is no trust. The prevailing perception on Main Street is the bailout is rewarding those that caused the mess to begin with. Why would anybody play a game with known cheaters? They wouldn't, especially when their life savings are involved. When investor confidence is restored, this market should go higher, and it could be a rally of epic proportions. Stand by!

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