

**Thank God It's Friday!**

**September 25, 2009**



We hit news highs for the year in the Stock Market yet again, but failed to hold them as the Market closed down 2% for the week. Stocks are still nearly 60% higher from the March low, and we are on track to close the book on the strongest 3rd quarter for the DOW since 1939. But Wednesday morning's strength off the Fed meeting, which kept interest rates at zero, was quickly reversed and triggered a 3-day sell-off. And not-so-coincidentally, the US Dollar strengthened after months of battering.

If we are to have a Market correction, and indeed we believe it is inevitable, it will most certainly be driven by the Dollar because in this rally stocks and the Dollar have been inversely correlated. As the Dollar has declined, the things that trade in Dollars, specifically stocks, oil, gold and other commodities have risen, and risen sharply. We still believe that the Dollar will remain weak until our Federal Balance sheet is cleaned up. It will take time to pay down our deficits. But the one lane road of falling Dollar and rising Market does have rest stops, they just haven't been utilized yet.

It's quite fascinating how September, the worst statistical month of the year for the Market, was supposed to be painful, but is winding up to be one of the best. We know all too well; things move fast and can switch direction immediately. The 3-day sell-off now has many expecting an October rout. We're not so sure. What was interesting this week was the volume wasn't particularly strong. This means that sellers in size were absent. The weakness was mostly due to a lack of buyers. After a 60% surge, there still hasn't been aggressive selling, and we've preserved the gains. That is significant.

We are busy working on our Fall newsletter, which discusses investment themes and strategies for the end of the year and into 2010. We hope to have it in your mailbox by next Saturday. We will not be publishing the TGIF next week.

The Niners are 2-0, and hopefully will make it 3 in Minneapolis. Have a nice weekend.

By: Mike Frazier