

Thank God It's Friday!

December 11, 2009



With gloomy financial news coming from Dubai, Greece, Ireland and Spain, you'd think the global economy was cracking. So far, that's not the case. December started out on shaky ground with fears that the recovery was at risk and the rally was coming to an end. Bulls turned into Bears almost immediately to close out November. Stocks got hit 2.5% in just one day.

What's fascinating about this whole recovery rally in 2009 is that very few actually believed in it. There has been so much skepticism out there, and people just can't believe how fast and far stocks have moved off the March lows. Many investors have not participated in the rally, choosing to stay in cash, waiting for a correction. The frustration was rampant. And now nine months into the rally, and 66% higher since hitting bottom, we still have not seen a 10% correction. It's got to be the most hated Bull Market rally in history.

Skepticism has provided a very accommodative backdrop for both stocks and bonds. It's been the Leading Market Indicator! Today's news showing strong numbers in both Chinese exports as well as retail sales here at home provided another lift for the Market which has us right back near the highs for the year.

Bear in mind that December is traditionally the strongest market month of the year, and it just seems that there is a gravitational pull to this uptrend to close out this monumental year.

One item of significance is the shift in leadership. Financials, Commodities and Tech had been the strongest sectors for much of this rally, but in recent weeks we have seen a rotation away from these hot sectors. Out-performance is now coming from Consumer Staples and Health Care. These industries tend to be defensive in nature, but the recent rally in the US Dollar coming off very depressed levels has contributed to their strength.

We expect this year-end rally to continue and remain on guard for what January might bring. But as long as skepticism and fear remain a dominant theme, we'd expect stocks and bonds to stay green.

Have a nice weekend.

By: Mike Frazier