

Is It Time for Divorce?

January 18, 2005

The stock market has been an interesting asset group to follow over the last three or four months (hasn't it always?). In hindsight, the market seems to have sensed a Bush victory and moved upward during the last three months of 2004. In fact, prior to that period, there were no gains in the popular averages for the year. This last minute push gave many stock portfolios the opportunity to be positive rather than suffering the fourth decline in the last five years. But now that we are only half way through the first month of the new year, approximately half of that gain has evaporated.

One wonders if Wall Street didn't shoot all their bullets during the closing months of 2004 and are now attempting to take what few profits they created during that time. For all of those remaining wedded to common stocks, the following up-to-date number through January 13, 2005 is as follows – is it time for a divorce?

	<u>5-year Annual Rate of Return</u>
Dow Jones Industrials	-1.93%
S&P 500	-2.60%
NASDAQ	-12.15%
Russell 2000	+6.61%

Source: cbsmarketwatch.com

The bond market has continued moderately strong during the first part of the new year, which has been counter to what our intermediate outlook has been. Long-term, we continue to believe that long government rates will go lower, but expect a move upward prior to the major downward trend reasserting itself.

We continue to caution all who will listen that this economy has serious problems that are yet to be resolved.