

### **Both Bull and Bear Played Roles in Wild First Quarter**

Investors can be thankful that few financial quarters are like the three remarkable months we've just experienced. As the dust settled on March 31, it was clear only that what had just ended was the sixth straight quarter of market declines. The path followed might have been copied from a board game. Bears ruled both January – the worst month ever for the Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) – and February – the worst month for the Dow since the Great Depression. But bulls took over in March, and the Dow moved up 12.5%, its best market month in six years.

For the record, from December's close through March 31, the Dow lost 1,167.47 points, or 13.3%; the NASDAQ Composite (an unmanaged index of all common stocks listed on the NASDAQ National Stock Market) dropped 48.44 points, or 3.1%; and the S&P 500 (an unmanaged index of 500 widely held stocks) lost 105.38 points, or 11.7%.

While volatility still ruled, and market gains or losses were too often linked to the news of the day, investors seemed slightly more settled than they were during the last quarter of 2008 as the Obama Administration took office, worked a \$787-billion stimulus bill through Congress, detailed plans for dealing with the banking sector and got tough with the auto industry. Some observers suggested the current bear market reached a bottom in early March, when the Dow traded below 6,500 for the first time in 12 years. Others cautioned that the financial system has far to go before it is out of the woods.

March's rallies were fueled by inklings of good news. Existing-home sales for February unexpectedly increased 5.1% compared to January, according to the National Association of Realtors, reflecting, perhaps, the fact that home prices were down 15.5% from the year before. February's sales of new homes rose 4.7% (after in January reaching the lowest level ever recorded). Orders for durable goods rose in February for the first time in seven months, and in both January and February, the savings rate stood at over 4%. The last time that happened in consecutive months was in August and September 1998. And even though personal income dropped 0.2% in February, consumer spending actually rose (if only 0.2% and largely driven by higher consumer prices).

We realize it has been said before, but we should remind you that markets like these often offer investment opportunities. Experts may disagree about the timing, but history indicates the market should recover. The key is to be well positioned when that moment arrives. Investing for the long term is usually the best course, but it may be wise to pay attention to different sectors and alter some of the details. If you have questions about the market or want to consider new investment opportunities, please don't hesitate to call us.