NOTES FROM JIM'S DESK

May 2009

In the February 2009 newsletter we opined that this great recession and financial crisis had created opportunity across almost every asset class with the exception of cash and treasuries. We acknowledged that said opportunity came at great expense given the diminution of assets by percentages not seen since the Great Depression.

Well, almost on cue, the markets began to rally following a low set on March 9, 2009. While it's true this rally started from the cellar by percentage terms, it's been formidable. Strongest two month rally in percentage terms in many years. Everybody feeling good now? Hardly, when coming out of the cellar, we're still a long way from the attic we occupied in the fall of 2008.

Nevertheless, all recessions since WWII have been preceded by market rallies before the recession bottomed out. So, is this that rally? Maybe, but we'll not know for sure until we look back from a vantage point somewhere in the future. The brightest statistics we can point to and the same thing markets look for is the slowing in the rate of declines, e.g. housing prices are still going down but at a slower rate. Jobs are still being lost, but at a slower rate. Foreclosures are still happening, but at a slower rate. The analogy is that in coming to the stop sign, you must slow down first. Historically, this has been a very strong indicator that the corner is being turned. Sans another surprise or trauma to the system, your team here, feels we may have seen the worst. If we're wrong, it's still not the end of the world. We'll still recover.

The inherent question regardless is, how fast will we recover? While this is unknowable, conventional wisdom is that with so much damage it will take a long time to recover. We have prepared our clients along these lines, because we try to manage expectations as much as assets. By the way, a historical perspective suggests conventional wisdom may be quite wrong. As it turns out, other panics (such as 1907) were met with sharp recoveries to the upside. So once again, we are not going to "time" the market but simply remember – it will recover.

As we await the recovery, be it slow or fast, we are completing more reviews then ever. We have doubled, maybe tripled, our efforts to be in touch with our clients – not to bury our heads in the sand or sugarcoat the greatest financial challenge in the last 70 years. We ask only that if you haven't heard from us lately or not often enough, please let us know. We do have a system to hopefully not miss anyone, but it is a partnership. So let us know if you need more service. We'll be writing our next newsletter in August, and we would expect the markets will have clarified even further where we are in this cycle. Don't forget to visit our website (raymondjames.com/citrus) for all kinds of information. You may even see a picture of yourself if you've attended one of our recent events.