

## Market Correction

*Market Commentary by Randy McGill, Branch Manager/Owner – May 20<sup>th</sup>, 2010*

Today global stock markets fell sharply. Here in the States, the Dow Jones Industrial Average (an unmanaged index of 30 widely held stocks) closed off 376 points; declines in most other domestic stock indices exceeded that of the Dow on a percentage basis. Indeed, 497 of the 500 stocks making up the S&P 500 (an index of 500 of the largest U.S. stocks) declined on the day. This decline comes just two weeks after the so-called “Flash Crash” of May 6<sup>th</sup>; clearly, events of the past few weeks have given investors pause. With that in mind, I would like to offer a little perspective. First, investors must realize that corrections (declines of at least 10%) of strong rallies in stock prices (such as the one from early March 2009 to late April 2010) are relatively common by historical standards, and most analysts/observers are not entirely surprised by this one, given the collective markets’ remarkable run off the March 9<sup>th</sup>, 2009 bottom. Unfortunately, many investor’s fears are largely informed by memories of the meltdown of September/October 2008, and the belief that this correction may well get much worse. For dealing with such fears, I would prescribe the following:

First, as I have said many times, think long-term. Investors should be much more concerned with where stock prices finish 2010 rather than where they finish the month of May or even the 2<sup>nd</sup> or 3<sup>rd</sup> quarter of this year. If anything, the decline of 2008 and early 2009 should serve as a positive lesson here. As difficult of a financial crisis as we faced during that period (indeed the most severe since the Great Depression), the S&P 500 managed to rebound 80% from its lows into late April of this year – a period of less than 14 months. And while the rally did not erase the entire market decline, it certainly did erase a large portion of it. So, remain rational, patient and think long term.

Secondly, recognize that in the short term, we have taken steps to manage your portfolio’s volatility. Your portfolio is positioned to benefit from the counter-trend performance of our managed short-equity strategies, i.e., when stock prices decline dramatically, these positions are designed to rise in value. We first introduced this strategy to your portfolio at the beginning of 2009 and it helped to mitigate volatility during the first few months of last year. If you examine your portfolio carefully, you will find that the same holds true now.

Finally, if you are not able to look past the current volatility, or if you simply remain gripped by fear, then I would suggest that you consider modifying your portfolio to a more conservative approach. Early last year, we developed a new, conservative, fixed income strategy. This strategy may represent a viable alternative if you are no longer comfortable owning equities.

Of course, if you have any questions about the recent market volatility or how it affects your portfolio, do not hesitate to contact our office. On behalf of my colleagues Kay Feagles, CFP, Ray Jensen, Registered Principal, Mark Rojek, J.D., CPA, Financial Advisor, Chuck Evans, CLU, ChFC, Financial Advisor, and John Haas, Registered Principal, we remain committed to offering you clear, straight-forward advice on your financial circumstances.

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