

Weekly Commentary

June 22, 2009

WILLIAM SHAKESPEARE WROTE, “Neither a borrower nor a lender be.” Money manager Doug Kass took some liberty and used Shakespeare’s cadence to state a new phrase, “Neither a bull nor a bear be.”

As a financial advisor, we spend time doing research so we can be as prepared as possible to do a good job managing your financial situation. As part of this research, it’s easy to start forming an opinion about whether we are in a bull market or a bear market. However, having a stubbornly strong bullish or bearish opinion may actually be detrimental to successful investment management.

There are two potential problems with taking a strong bullish or bearish stance. First, when you take a strong stand like that, you tend to seek out evidence that corroborates your bias and then discount contrary evidence until it’s too late. For example, if we were really bearish, it’s human nature that the headlines that scream, “S&P 500 Heading to 600” would draw our attention. By reading those stories, it would make us feel good and help “convince” us that our position was “correct.” Bullish stories would get scant attention since they didn’t fit with our pre-existing bias.

A second problem with taking a strong stance is your bias could turn out to be wrong. By taking a strong stand, you are effectively trying to predict the future, which is no easy task. If your bias is wrong, stubbornly sticking to an incorrect viewpoint could be very costly as the market runs in the other direction and you are left behind.

Is there a better way? Try being a realist.

Realists keep an open mind. They may have an opinion about the future but they are not wedded to it if new information suggests something is changing. If the facts change, change your mind about a position. Instead of trying to predict the future, realists analyze new information as it arrives based on its merits. Instead of just reading stories that support their bias, realists read various viewpoints and get a more balanced view. Ultimately, realists are willing to embrace change as appropriate rather than waste precious time and energy defending a “known” that may no longer be relevant.

To summarize, “Let’s be real!”

The Markets

Data as of 6/19/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.6%	2.0%	-30.1%	-9.4%	-4.0%	-3.7%
DJ Global ex US (Foreign Stocks)	-3.7	13.2	-35.4	-6.6	2.1	0.5
10-year Treasury Note (Yield Only)	3.8	N/A	4.2	5.1	4.7	5.9
Gold (per ounce)	-0.2	7.5	3.6	17.9	18.8	13.7
DJ/AIG Commodity Index	-2.0	7.7	-44.6	-8.9	-2.9	4.6
DJ Equity All REIT TR Index	-6.5	-12.2	-47.3	-16.9	-2.5	N/A

Notes: S&P 500, DJ Global ex US, Gold, DJ/AIG Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT TR Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron’s, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not available.

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Weekly Focus – Think About It

“The pessimist complains about the wind; the optimist expects it to change; the realist adjusts the sails.” -- William Arthur Ward

Best regards,

Tony Hartman

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.
- * The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.
- * Gold represents the London afternoon gold price fix as reported by the London Bullion Market Association.
- * The DJ Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * The DJ Equity All REIT TR Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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