February 13, 2010

"…Thus far, [all factors] continue to support the likelihood of further advances in the primary uptrend, albeit possibly after a [likely] near term corrective move." – Lowry's Institutional 12/4/09.

Probabilities are not certainties, and allowance for exceptions to the probabilities is always necessary. But, it is important to keep in mind that...the issue is whether the short term correction may not be quite over yet, or whether it is already over. In either case, there is little or no evidence at this point, based on our longer term measurements of Supply and Demand, that the market has been rolling over into a bear market. On that basis, clients should still be viewing periods of short term corrections as an opportunity to buy stocks...Lowry's Institutional 2/13/2010

Sharp corrections happen and I hate them. However, all I really care about is whether this bull market is rolling over into a bear market. So far, the evidence doesn't support that. Until there is evidence to the contrary, we will want to remain invested.

There are pessimistic viewpoints, of course. Many of these point to the anemic economic recovery and ominous backdrop of government debt, personal debt and insolvency. There is much in the news that is negative and some of it seems to portend impending doom. I won't argue what the future holds, but will attempt to focus on what the investment world is doing at present. I have many times pointed out that the stock market is tied long term to economic strength and growth while the shorter term is always unpredictable.

I am often asked about inflation. As stated in these newsletters previously, inflation is not occurring presently but it likely exists in our future. Inflation is a two sided coin. One is the supply and abundance of money (think trillions of dollars of fresh money being printed as I write) and the other is demand for goods and services. With the recessionary overhang in the U.S. and globally, the demand for goods is low (think real estate glut, unemployed people and high inventories of goods). Once the global recession ends and demand for goods increases, we will likely see the inflationary effects that so many people are anticipating. We will want to prepare for that in our investment portfolios.

I will be away during the week of February 15 but will be checking periodically for messages and emails. If you would like to discuss your investment model, please contact me and we will address the matter during the week of February 22.