

## Market Commentary – June 30, 2009

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Like a parched desert traveler who refuses to alter his course to follow a mirage, long-term investors have braved much torment in this bear market. By early March 2009, as U.S. stock indices sank to 12-year lows, many investors reached their financial pain threshold and exited a market that seemed to be going no direction but down.

Then came an extraordinary few months.

Global stocks, as represented by the MSCI World Index of 23 developed markets, gained 7.2% in March, their best performance in six years. U.S. stocks, as measured by the S&P 500 Index, gained 8.5% in March, their best month since October 2002. The markets continued to improve in the second quarter of the year, and June ended with the S&P 500 up 36% from its March low, leading some to even suggest (perhaps prematurely) the bear market had ended.

Driving this turnaround have been tentative signs of a bottoming in the U.S. economy, hopes that the global banking system may be past its worst, and increasing confidence that coordinated policy action by governments and central banks will engender a recovery. This has created an increased appetite for risk in some investors, which has in turn been reflected in higher rates for U.S. Treasuries, where yields in June reached their highest level in nearly a year. (Put in different terms, fewer people opted for the safety of investing in Uncle Sam for virtually no real interest.)

Whether this turn in sentiment will last is not clear. For every optimist there is a pessimist who can string together an equally compelling argument that we are not out of the woods yet. But that is the nature of markets, and the sum of all these competing views is already reflected in prices – *which is exactly why VW Advisors emphasizes broad, low-cost investment diversification, not market timing or speculation.*

For the individual investor, the important lesson from the past three months is that markets are unpredictable, and that even in one of the most vicious bear periods in history, large gains can come in quick, unforeseen surges. While it may take years to repair the damage of this past 18 months, those who stayed on course for their financial destination last March are probably feeling a little less tormented than they did three months ago.

