

Market Commentary – October 1, 2009

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A few months ago, millions of would-be investors were reluctant to move into stocks because the market was *falling* too fast. Now many are wary because the market is *rising* too fast. In the meantime, life moves on.

Any good financial advisor will recognize the syndrome. It's like watching a child standing tentatively at the edge of a swimming pool, torn between the desire to join the gang and the fear of getting cold and wet. Wait too long and the opportunity is missed, and it's going home time.

In retrospect, of course, it would have been better to get out of the equity market completely in October 2007 and move into cash and government bonds, before reversing course again in early March 2009. The reality is that correctly timing your exit and entry to the market is impossible. If it were as easy as some claim, millions would be doing it and getting very rich in the process. Some of us would be writing books about it and going on TV business shows to promote our "timing secrets".

The reason timing stories are back in the news is because some analysts and commentators are questioning the sustainability of the recent stock market rally. With major indices 40%-50% above their March lows, the word is that valuations are no longer compelling and that the economic recovery will be a sluggish one.

Others go further and say this is a "sucker's bounce" in a longer-term bear phase that could take the market back below the March lows. These bears are nervously eyeing October, traditionally a shaky time for markets.

It's no wonder, then, that the same nervous investors who missed the March-to-August rebound are now afraid of getting in because they think the market is too elevated, while others who stayed invested are wondering whether they should take some profits off the table.

At one end of this emotional spectrum of investing is regret about what has already been lost. At the other is a combination of fear and greed at what the future could hold. All of these feelings are understandable and reflect the fact there will always be uncertainty in investing. With return comes risk, after all.

The good news is that everyone can help ease their anxiety about investing – don't attempt to time the market. By maintaining a long-term strategic asset allocation (the amount split between stocks/bonds), and practicing disciplined, periodic rebalancing, investment decisions can be based on personal needs and risk appetites, not according to someone else's opinion as to what the market does next.

Uncertainty will always be an integral part of investment (and life). But while no one has or will come up with a consistently successful strategy for timing the market to perfection, there are many things we *can* control. At VW Advisors, we are ready to help.

