



**Scannell Wealth Report**  
**June 15, 2009**

**The Markets**

The stock market has been on a very nice run over the past three months and there's a divergence of opinion on what's behind it.

Most analysts seem to agree on one point – we're out of the "end of the financial system" doomsday scenario. That alone could be a major reason for the big jump in equity prices since the March 9 low. From there, opinions vary.

One camp says the "green shoots" are a clear sign that the economy has bottomed and that it's just a matter of time before we are back to steady growth. Supporting this view is the fact that copper, which is traditionally viewed as an early indicator of economic strength, has risen 82% from its December 2008 low of \$1.30 per pound, according to data from *Seeking Alpha* and *The Wall Street Journal*. Analysts in this camp think, "Happy days are here again."

Another camp thinks we're simply passing through the eye of the hurricane. They think this rally is a reprieve from the front end of the storm and that we'll get slapped hard again when we hit the other side of the eye wall. Folks in this group typically coalesce around the idea that government actions to stem the crisis will eventually make the situation worse, not better.

A third camp is more middle-of-the-road. They think the rally we've seen is a normal reaction to panic selling in the first quarter and to the massive liquidity added to the financial system. Neither bullish nor bearish, they think we're in a broad trading range and don't expect new all-time highs or new cyclical lows anytime soon.

Only time will tell which scenario comes to fruition. In the mean time, we continue to do our best to benefit from whatever the market has to offer us.

<b>Data as of 6/12/09</b>	<b>1-Week</b>	<b>Y-T-D</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Standard & Poor's 500 (Domestic Stocks)	0.7%	4.8%	30.4%	-8.6%	-3.4%	-3.1%
DJ Global ex US (Foreign Stocks)	1.4	17.5	-31.9	-5.4	3.3	1.1
10-year Treasury Note (Yield Only)	3.8	N/A	4.2	5.0	4.9	6.0
Gold (per ounce)	-2.6	7.8	8.7	15.4	19.5	13.7
DJ/AIG Commodity Index	1.4	9.9	-42.9	-8.9	-2.3	4.7
DJ Equity All REIT TR Index	-1.7	-6.1	-43.0	-15.2	-0.3	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.

**IS IT NEWS OR NOISE?** Theoretically, just about everything that happens in the world has the ability to move markets. For example, the discovery of a large oil field off the coast of Brazil could cause oil prices to drop due to an increase in supply. A late freeze in the Midwest could cause agricultural commodity prices to rise due to crop destruction. The announcement of a \$587 billion fiscal stimulus package in China could send stocks soaring as investors speculate it will lead to worldwide growth. A flu epidemic could

cause stock prices to drop as it may lead to fewer people traveling and shopping, which could cut corporate profits. The list is endless.

But, here's one more potential market moving event that many investors have never heard of. It's called the "200-day moving average." This is the average closing price of a security or index over the last 200 trading days. When updated daily and graphed, it creates a line that gives you a visual representation of the price trend. When the most current price breaks above this trend line, technical analysts view that as a bullish sign. When it breaks below, it's considered bearish.

So, here's the news – or noise – as it relates to the 200-day moving average. On June 1, the S&P 500 index closed *above* its 200-day moving average for the first time in 523 days, according to Bloomberg. That was the longest stretch of trading *below* its 200-day moving average since, you guessed it, the Great Depression. Does this mean the market will continue to move up from here?

The track record of the 200-day moving average is mixed. According to data from Bespoke Investment Group and Bloomberg, "The gauge rallied an average 21% over 12 months the last five times it crossed the 200-day mean after falling below it for a year or more." That sounds bullish until you realize that investors using the indicator were misled in January 2002. Back then, "when the S&P 500 rose past the 200-day average, ending a 463-day stretch below it, the index slumped 23% in the following year as investors speculated interest-rate cuts by the Fed wouldn't be enough to revive profit growth," according to Bloomberg.

One of the fascinating things about investing is, what's noise to one person might be news to another and vice versa. Some investors put great weight on a breakout of the 200-day moving average, while other investors simply shrug their shoulders. This 200-day moving average tug-of-war between opposing viewpoints is a microscopic example of the nearly infinite number of opposing views that buffet the market everyday. This interplay of opinions makes a market between buyers and sellers – and it's healthy.

Just like "Beauty is in the eye of the beholder," we can say, "News is in the eye of the investor." So, whether we're talking news or noise, they each have the ability to move the markets.

### **Weekly Focus – Think About It**

"The feeling of being hurried is not usually the result of living a full life and having no time. It is on the contrary born of a vague fear that we are wasting our life. When we do not do the one thing we ought to do, we have no time for anything else – we are the busiest people in the world."

-- Eric Hoffer

Best regards,

**Timothy Scannell, CPA, CFP®**  
**Scannell Wealth Management Group**

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 email with their email address and we'll ask for their permission to be added.

\* 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 Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

\* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

\* The Dow Jones World (Ex. U.S.) is an unmanaged group of securities considered to be representative of the non-U.S. stock market in general\*

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index between two specific periods.\*To unsubscribe from the Weekly Market Commentary, please reply to this e-mail with "unsubscribe" in the

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