

Bowers Wealth Management, Inc

Registered Investment Advisory Group

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James R. Bowers

S&P 500 Ytd -8.42%
DJIA Ytd -10.11%
Nasdaq Ytd -3.32%
Usd \$ Ytd +5.70%
Gold Ytd +5.82%



Market Commentary

“In a market downturn, he who loses least wins” is a phrase coined by investment sage Richard Russell. The worst January in 50 years has come to a close. If history could lend any predictive assistance it would tell us that 2009 is likely to end negatively, as do most years with a poorly performing January. Keeping most of your money on the sidelines while the market continues to decline means that if all goes as planned, your dollars will be able to purchase more assets. Last year marked the end of a 25 year bull market cycle. It would be unrealistic to expect that one year (2008) was enough to purge all bad debts and investments from the system. The opportunities discussed here over recent months will be integral in creating some value during this period.

Bubbles & Bottoms

Bonds

In keeping with the “losing least” theme I’m going to stray from my usual opportunity discussion to address an area at risk. When stormy weather is upon us we seek the safety of shelter. In the world of finance, US government bonds are generally considered shelter. Over the last year a number of investors have flooded into the bond market causing it to reach bubble proportions. The last few weeks have seen that bubble begin to pop as values fall, and it is very likely that the treasury bond bubble will continue to deflate for most of this year. If the technology and real estate bubbles have taught us anything, it’s that we don’t want to be holding popping assets.

Now for an opportunity, I just couldn’t resist. As treasury bond values fall, an inverse treasury bond based exchange traded fund (ETF) increases in value. This is the most direct route to taking advantage of the turmoil created over the last 15 months.

Dow 6000?!

“Have we reached the bottom yet?” I get that question from time to time. Generally people want to know how low the market will go and how long it’ll take to get there.

From an analysis perspective the market is still overvalued. For those of you who stay glued to CNBC, you may have heard differently. Opinions about valuation run the gamut, but one thing is clear, a new bull market has never begun from current dividend levels. This doesn’t mean the market can only decline, but a significant prolonged increase in stock prices isn’t likely to begin from current levels.

There are certainly some bargains in the marketplace scattered in various sectors, but the major market indexes may very well take another year or two to reach “the bottom”.

Where that will be is anyone’s guess, but it’s not uncommon for stocks to become so undervalued that the average stock yield is in the 5-6% range. To reach that yield level, the DJIA would likely be in the range of 6000. *James R. Bowers*

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