One Dip or Two

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It is summer and we are constantly being reminded about a double dip…. the only double dip that I want to discuss is a double dip ice cream cone, however the financial news is concerned with a double dip recession. Unfortunately, this is a problem that we have to be aware of even though it is not a way to enjoy a summer treat.

So far this year, we have been seeing very mixed signals, and very mixed markets. Issues such as the BP Gulf oil spill, the major issues in the Euro Zone (Greece, Spain etc.), the continued weak housing market and finally the poor job recovery have led to a market correction after a strong first quarter. These are definitely issues to consider and be aware of, however, in my opinion a correction was absolutely needed. From the bottom of the market in March of last year, we went over 13 months without any correction. Thus a correction was due, but how we got there was a little unsettling.

At the very least, the "flash crash" on May 6th should teach us that day trading in the market is now run by supercomputers and human fingers cannot push the button fast enough. The second lesson is even more important: Short term market movements are difficult to understand, and our desire to project patterns that are not there; along with information overload has many investors trying to react. We need to learn that no matter how hard we try, in this scenario, we will be to slow to benefit. We will either sell too late or buy too late to profit and the smart decision is to not play that game at all.

As we continue to address the information daily, we are seeing again that corporate profits are still on the rise and there is hope that hiring will start. On Monday the 19th CNBC reported that Boeing had over $250 billion dollars in back orders and they are considering increasing production. Apple and other companies have shown very strong reports. Over the weekend the BP Gulf spill appeared to have been capped. Those are all positive signs.

In the final analysis there is only one question to ask. Is there a better investment alternative to accumulating shares in the best companies in the world or should we run and place our money in US Treasuries earning less than 1%? There is only one sensible approach to investing to meet your goals. Diversify to mitigate risks and recognize that at least some of your investments must be "in the market" to have a chance to accumulate wealth and stay ahead of inflation. It may seem to be to be counterintuitive but it is always important to remember that when everyone is excited about investing prices are too high and when many people are scared equities are cheap. Our goal now as always is to try to keep emotions out of our decisions, to keep us on track to reach all of our goals.

Enjoy your summer.

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