



## December 2008

The world has now admitted to officially entering a recession (Europe and Japan just recently). All of these global unknowns are what make this market so hard to predict. Our view is we likely have already experienced the 'Santa Claus' rally from **7449** to **9026** (in the Dow Industrials), because with few exceptions, we've rallied on declining upside volume (technically bad) which makes it difficult to make an assertive bullish call. If we decline and re-test/hold the November 21<sup>st</sup> bear market low **7449**, perhaps we will have a "sustainable bottom" in place. This is December, large money traders are gone! Hedge Funds have closed their books. Maybe when all the major investors return after New Years, we will see a different approach to the markets.

Be assured, the government will try to do all it can to prevent another market decline into the holidays. Presumably, retail sales will be sluggish and if we have another wave lower in stocks, especially in the face of current government stimulus, auto industry "bailouts" and discussions of further stimulus **would be very disconcerting**. The major trend continues to be down **until proven otherwise**. Jumping 100% back into equities too soon could be harmful to your portfolio's balances. This is why we would rather be a bit late, but hopefully more confident prior to recommending a move back into equities "full-tilt".

### **SOME STATISTICS REGARDING THE CURRENT MARKET VOLATILITY**

Since 1950 (58 years), the S&P 500 has gained or lost 4% or more in a day only 68 times (33 down, 35 up). Of those 68 days, 28 have occurred just in the past three months.

**We will be watching the first five days of the "new" year as a possible leading indicator.**

### **OIL PRICES AND ENERGY RELATED FUNDS**

While recent oil prices have dropped by record amounts, this has been offset by a record surge in the volume of oil imports, decreases in demand and an abundance of supply. In our May 28, 2008 Market Letter, we suggested we were approaching an "oil bubble" and shortly after (in July, oil topped out at \$147 then **dropped like a rock** to a new (recent) bear market low of \$34.85 on December 18, and could penetrate this low to the low \$30s or high \$20s, **however**, there is potential, down the road (perhaps in January, after the inauguration of Obama) for a healthy technical bounce to the mid-\$70s/\$80s. The time may be approaching to "re-enter" or "add to" the energy related mutual funds, depending on your risk tolerance and time-frame to retirement. Please contact us to discuss.

Even though it is difficult to believe in these tough market/economic conditions, **"Dollar-Cost-Averaging"** and **"continuing-to-contribute"** to your retirement plan will work for you. As always, we invite you to contact our office for specific investment advice based on your individual risk tolerance and goals.

**The staff of Saunders Financial would like to wish all of you the most Happiest of Holidays and a Happy New Year. We look forward to working with all of you in 2009.**