

*From the Desk of John Colley ...*

It was bound to happen ... Yesterday the Dow experienced its first triple digit drop of 2012. All sectors of the S&P 500 blue chip index were also in the "red" and this spread to the NASDAQ Composite as well, off about 1.6%. Not necessarily a new trend, but most likely part of a pause/or maybe the fringe of a short-term correction ...

Call it modest re-pricing of risk ... some trading volatility that's normal after a recent run-up, or do we just want to check in again with where we're going ... (after being thrown a few curves).

*One reflection to keep in mind* ... To be over-concerned about the half point difference in GDP for China (a mere 2012 forecast) ... but 8% versus 7.5% may not be a big reason to worry. If it was a drastic change, say 8% to 3% or 4%, that would be different; or if it signaled a sure long-term trend of retrenchment ... that would be different ... so we want to be careful to not over-react (this is what China wants for itself, along with lower inflation).

Remember when the U.S. was experiencing a 5% GDP growth economy and fast rising inflation, our Federal Reserve smartly reacted to keep inflation in check and raised interest rates in an orderly way over a period of many months. The move tamed inflation and also tampered down the recovery's growth rate a little... the goal being to let the recovery last longer and not overheat and run on steam alone.

Although we don't like retreats and pullbacks, they are a necessary and healthy part of the markets and they are known to punctuate bull runs ... because digestions are consolidations and they keep the markets in check.

The ADP jobs number out today showed a modest gain of 14,000 net jobs ... confirming the country is a little stuck between gears one and two. Most economists and probably everyone would like to see more robust job growth.

Eyes remain on Greece, and certainly on the complex triangle of Israel, Iran and the U.S. too ... and one of these days the U.S. debt/deficit focus will return to center stage.

Hope you are enjoying the sunnier weather today ... 50°-ish in Saratoga Springs!

JC

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