

Further Reflections on the Weak Stock Market Performance

Despite much better than expected retail sales on Black Friday and the long weekend (up 9.5% including on-line sale comparisons), the financial markets have been retreating on fears and tensions encircling the Korean drama and the Eurozone monetary crunches (despite Ireland's apparent acceptance of a three-year Resolution Plan).

A variety of "mixed" data adds up to a stalemate. Here's the latest: Walmart's numbers were up a whopping 35% year-over-year and consumer confidence surveys have improved while reports indicate that U.S. home prices fell slightly. In September, Case-Shiller indices showed a drop of 0.7% for its 20-city sample. The ISM-NY Business Index continues to rise and is now 65.6 in November (it was 64.7 in October and only 58.3 in September), so this trend is encouraging. However, the overhang of the unknowns continue to weigh on any rally attempts:

1. Could what happened in Ireland spread to other European countries and throw the Eurozone into a re-dip??
2. Korea—What's up and what is going to happen? Potential powder keg can hopefully be calmed.
3. The leaked government documents are unsettling and disturbing.
4. No resolve on the tax cuts or other fiscal policy adds uncertainty to the mix.
5. The Portland/Christmas Tree "catch" was a good one, but reminds us to be ever-vigilant and careful.

The mostly improving economic fundamentals seem to be overshadowed by the world stage of drama and uncertainty. We remain cautiously optimistic. The sell-off behavior seems consistent with what we've seen before when the investor seems almost "frozen in the headlights". Once we receive more clarity and resolution, I believe the markets will resume its rally mode (mood).

John Colley
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