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Wall Street has appeared remarkably indecisive this year. Is the economy growing or heading for another slip? Are there any glimmers of hope for the beleaguered job and real estate markets? How will the November elections affect federal tax policies? Has market volatility driven away a generation of investors? Is this the “new normal?” Just a few weeks ago, an article in *Businessweek* magazine began with the following quote:

*“The U.S. economy remains almost comatose. ...The current slump already ranks as the longest period of sustained weakness since the Great Depression. ...Once-in-a-lifetime dislocations...will take years to work out. Among them: the job drought, the debt hangover, the defense-industry contraction, the [banking] collapse, the real estate depression, the health-care cost explosion and the runaway federal deficit.”*

The article then points out that the quote is from a *Time* magazine piece written in 1992, lamenting the dismal state of the economy after the 1990-'91 recession. It always seems to take longer than anyone wants for bad times to get better. As with every prior recession, the current malaise will eventually give way to renewed expansion and job creation. However, people will still have topics that worry them, even during periods when the economy is growing. Investing is difficult. Putting our hard-earned savings at risk in the capital markets has never been easy.

The internet is a marvelous thing. We went online and searched “gloom and doom headlines” and got 383,000 results in 0.21 seconds. Some of the old headlines seem equally applicable to our current economic troubles:

- “That Monster Deficit” from *Time* March 5, 1984.
- “America’s Banks Awash in Troubles” from *Time* December 3, 1984.
- “High Tech Wall St: Is It Good For America?” from *Time* November 10, 1986.
- “How to Prevent a New Depression” from *Fortune* November 23, 1987.
- “Can America Still Compete?” from *Time* October 29, 1990.
- “The Recession: How Bad Is It?” from *Time* January 13, 1992.
- “Economic Anxiety” from *Businessweek* March 11, 1996.

When *Time* magazine published “That Monster Deficit” on March 5, 1984, the Dow Jones Industrial Average stood at 1,165. After 26 years of worrisome headlines, recessions, market crashes, wars, scandals, natural disasters and contentious elections, the Dow is now approaching 11,000. Investors were rewarded for their patience, even though progress was uncertain and erratic at times. In that regard, perhaps the “new normal” might be more aptly described as simply “normal.”

Judgment is more important than data. Information has never been more abundant and easy to access, by anyone from just about anywhere on the globe. More investors have a voice in today's marketplace than at any time in history, and they can cast a vote by simply placing a trade. However, progress does not move in a straight line. Capital markets react to people's views about the future economic environment, and those views are constantly changing. A great deal of our investment industry is focused on gathering data and forecasting future events, when the bigger challenge, in our opinion, is protecting investors from the dangers of information overload. Perhaps there is too much data and not enough good judgment being offered to investors.

As if to make our point, an unexpected stock market rally in September punctuated a volatile, yet productive third quarter that lifted the major stock market averages back into positive territory for the year. Bond yields remain at historically low levels across the full range of maturities, as the Federal Reserve maintains its expansionary monetary policy that includes low target interest rates and a willingness to print money, if necessary, to keep the fragile economic recovery from stumbling. Resolution of the expiring federal tax breaks for estate taxes, income taxes, dividends and capital gains appears delayed as Washington is increasingly focused on the upcoming mid-term Congressional elections.

Our nation's economic recovery hit a slow patch over the summer, but it does appear to be moving in the right direction. Corporate profits are doing well, and a lot of cash is now perched on companies' balance sheets. Eventually, as confidence in the recovery builds, companies will be motivated to put that cash to work in new projects and recruiting additional employees. In the meantime, it may be helpful to remind ourselves that investors have always faced an uncertain economic environment, and difficult times have typically been followed by progress in the capital markets.

# Emotions Can Interfere with Your Investment Plan

Data is easy. Judgment is hard.

					
Time "That Monster Deficit" Mar 5, 1984 Dow: 1,165	Time "America's Banks Awash in Troubles" Dec 3, 1984 Dow: 1,182	Time "High Tech Wall St: Is It Good For America?" Nov 10, 1986 Dow: 1,892	Time "The Selling Of America" Sept 14, 1987 Dow: 2,613	Time "The Crash" Nov 2, 1987 Dow: 2,014	Forbes "Picking Up The Pieces: 1929 or 1962?" Nov 16, 1987 Dow: 1,949
					
Fortune "How To Prevent a New Depression" Nov 23, 1987 Dow: 1,923	Time "High Anxiety" Oct 15, 1990 Dow: 2,430	Time "Can America Still Compete?" Oct 29, 1990 Dow: 2,581	Time "The Recession: How Bad Is It" Jan 13, 1992 Dow: 3,199	Time "The Economy: Is There A Light At The End of the Tunnel" Sept 28, 1992 Dow: 3,250	Business Week "Economic Anxiety" Mar 11, 1996 Dow: 5,581

Today's abundance of information can be confusing to investors, causing unnecessary trading activity and magnifying the emotions of "fear" and "greed" that can interfere with long term plans.

