THE FULL SPECTRUM

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GENERAL MARKET COMMENTARY

Due to a combination of steady economic growth, moderate energy prices, and a Federal Reserve providing both adequate liquidity and ending their interest rate increases, stock prices were much higher worldwide in 2006, with emerging markets leading the way.

Technically, the market is acting well going into 2007. Historically, the 3rd year of a president's term in office has usually resulted in a strong stock market. In the last 14 presidential 3rd-year-of-term periods, dating back to 1950, the average return was 23.2% per year. This is almost twice the 11.9% average overall market gain for the same 56-year period.

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However, there is much complacency and this is the second largest period in history without a 10% correction. There are three things that could go wrong this year. (1) The economy slowing in housing and manufacturing. (2) Inflation causing the Fed to resume raising interest rates causing a recession. (3) A global terrorist attack on oil supplies, pushing the price of energy back to levels that would affect consumer spending.

We must keep in mind that investment risks are always the highest when investors are overly optimistic. In addition, this is the fifth longest bull market in the past 75 years.

PERSONAL PERSPECTIVE *by* Ralph Doudera

At the end of 2006 I lost my biggest fan, my dad John, at the age of 91. He would routinely devour every quarterly newsletter, picking out errors that even our attentive staff would overlook. Like so many things in my life, he introduced me to the stock market at a very young age, and I soon began trading stocks in college with my student loan money. Eventually, he turned all of his funds over to me to manage for him, but not without a steady diet of constructive criticism. Somehow, he thought that I had the ability to make his funds grow in value *every* month, and when they didn't, I would hear about it. A few years ago, he took my suggestion to refinance his house and gave me the proceeds to invest. One year I earned less than the 5½% rate of interest, so he asked me if he should pay off the loan because he was losing money. I had to remind him that his IRA was worth over 10 times what he gave me to invest, even after we pulled out annual distributions for nearly 20 years. Even savvy long term investors often become short sighted.

As he grew older, he became more fun and interesting to be with. Or was it that maybe *I* became more interesting? Although it had not always been that way, in recent years we had lunch often and just talked about medical bills, prescriptions, family, and email technology. I knew the day would come someday when he would be gone and I became head of the family, a scary thought. And I didn't want to say "I wish I would have……"

So although we didn't agree on a number of things (like music, and how to dress for church), I will still continue to ask myself questions like: "What will my dad think about this?" Life lessons are caught, not taught.

There was a time some years ago when I stayed too busy to enjoy him. But I'm glad I finally made time for our relationship to develop. His answering machine message to us has always ended with "God bless you!", and he will be missed by all who knew him.

For more information or to order books, go to www.wealthconundrum.com

"Steady plodding brings prosperity; hasty speculation brings poverty" (Proverbs 21:5, LB)

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