

November 11, 2009

Dear Client,

Without a doubt, we are living in "interesting" times. For investors, it has been especially interesting. After a 37% loss for the S&P 500 in 2008 (the second-worst year in stock market history), the same index is up 23.6% year-to-date through November 9th. Perhaps more amazing, the market has recovered 62.4% from its bottom on March 9, 2009.¹ This incredible recovery has led some investors and media pundits to question the sustainability of the rally. As you know, we don't make predictions about short-term market movements, but at this juncture, a review of market history and the current recovery could provide some informative perspective.

Below you'll find a chart produced by J.P.Morgan in their 2009 Q4 "Guide to the Markets".² It lists the dates and durations of all of the previous bear markets going back to World War II and the duration and magnitude of the bull markets that followed...

Bear Market Cycles vs. Subsequent Bull Runs						
Market Peak	Market Low	Bear Market Return	Length of Decline	Bull Run	Length of Run	Yrs to Reach Old Peak
5/29/46	5/19/47	-28.6%	12	257.6%	122	3.1 yrs
7/15/57	10/22/57	-20.7%	3	86.4%	50	0.9 yrs
12/12/61	6/26/62	-28.0%	6	79.8%	44	1.2 yrs
2/9/66	10/7/66	-22.2%	8	48.0%	26	0.6 yrs
11/29/68	5/26/70	-36.1%	18	74.2%	31	1.8 yrs
1/5/73	10/3/74	-48.4%	21	125.6%	74	5.8 yrs
11/28/80	8/12/82	-27.1%	20	228.8%	60	0.2 yrs
8/25/87	12/4/87	-33.5%	3	582.1%	148	1.6 yrs
3/24/00	10/9/02	-49.1%	31	101.5%	60	4.6 yrs
10/9/07	3/9/09	-56.8%	17*	-	-	-
Average:		-35.0%	14 mo's	176.0%	68 mo's	2.2 yrs

The *lengthiest* downturn was the '00 - '02 bear market, lasting 31 months. The *average* bear market lasted 14 months. The *steepest* decline was experienced during the most recent bear market of '07 - '09 where the S&P 500 lost 56.8%. The *average* bear market produced a loss of 35%.

The chart then goes on to list the duration and magnitude of each bear market's subsequent "Bull Run". Amazingly, the average bull market lasted 68 months (over three times as long as the average bear market), and produced a return of 176%. The longest bull market lasted 148 months and produced a return of 582%. **To put this in perspective, we're only 8 months in to the current recovery.**

To say this another way, if the market returns to the lows of March 2009, the worst market downturn since World War II would be followed by the shortest recovery (8 months) in post-War history. While possible, such an abbreviated recovery would be unprecedented. Given that the average bull market lasts 68 months and we're only 8 months into this one, one could reasonably draw the conclusion that we are merely at the beginning stages of recovery.

Finally, as I have said before, we aren't on an elevator ride back to the top. This recovery, like every recovery before it, will be littered with short periods of negative returns along the way. As such, it will continue to be characterized by volatility and skepticism. Prepare yourself for these down periods and the negativity that will accompany them. Most importantly, we believe that by maintaining a long-term perspective, you will continue to benefit from this recovery over the years to come.

Sincerely,

Mike Booker, CFP[®], ChFC, CFS
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Important Disclosures

¹Source: Morningstar Direct

²Source: J.P.Morgan 2009 Q4 "Guide to the Markets". Chart is for illustrative purposes only. Past performance does not guarantee future results. A bear market is defined as a peak-to-trough decline in the S&P 500 Index (price only) of 20% or more. The bull run data reflect the market expansion from the bear market low to the subsequent market peak. All returns are S&P 500 Index returns and do not include dividends. *Most recent bear market is through market low of 3/9/09.