

February 2008 MoneyMinute – Déjà Vu All Over Again

This piece by Weston J. Wellington, vice president of Dimensional Fund Advisors, caught our eye. We wanted to pass it on to you:

Commenting on the recent plunge in stock prices, a *Barron's* columnist made the following observations in his column appearing January 27:

"Poll ratings on President Bush's handling of the economy fell last week among the American voting public. Global investors' opinion of his stance toward Iraq dropped at least as much. With both of these constituencies turning nervous, stocks and the US dollar declined hard in a mutually reinforcing manner, dragging the stock gauges into the red for the young year. . . . Perhaps as worrisome, many company conference calls feature grim talk of slim revenue growth opportunities. Companies such as AT&T, Caterpillar, McDonald's and Merrill Lynch all tempered their outlook for revenues this year— more proof of how tough it is to manage in a low nominal growth economy, in which demand isn't strengthening much and prices are tough to increase. . . . There's something to the idea that the stock market is safer because so many fear it. But in the absence of better economic and profit performance, who's to say how indifferent or fearful investors can get before a lasting market rise emerges?"

Sound a bit fishy? OK, we didn't lie, but perhaps we were economical with the truth.

Although much of the article reads as if it were published yesterday, it actually appeared five years ago on Monday, January 27, 2003. Stock prices at that time had stumbled out of the gate for the new year, alarming those who are convinced that performance in January is a reliable guide for the rest of the year. Over the very short term, the pessimistic tone of the column provided a useful warning—the S&P 500® Index slumped another 7% over the subsequent six weeks, closing at 800.73 on March 11. But that proved to be the low for the year, and the S&P 500 surged 38.86% between March 11 and year-end 2003. Total return with dividends reinvested for the year as a whole was 28.69%. And the four stocks cited as examples of a weakening economy did even better, with an average total return of 45.2%.

There is no assurance that 2008 will achieve a similarly positive result, but the behavior of stock prices in 2003 suggests that fixating on every weekly wiggle can lead to disappointing results for those seeking long-term investment success.

S&P data provided by Standard & Poor's Index Services Group.

Santoli, Michael. "Stocks Tumble Along With Bush Approval Ratings." *Barron's*, January 27, 2003.

Standard & Poor's. *Stock Guide*, January 2004.

Yahoo! Inc. *Yahoo! Finance*. In <http://finance.yahoo.com>, accessed January 28, 2008.

© 2008 Dimensional Fund Advisors.

If you have friends who may benefit from the monthly *MoneyMinute*, please forward this to them. To sign up for your own copy: <http://www.feesonly.com/moneyminute.html>

The articles page on our website covers planning issues from real estate to long-term care, from investment risk to college funding, and more. See the rest at: <http://www.feesonly.com/Articles.html>.

Investor's Capital Management, LLC provides financial planning and manages investment assets so that clients can relax and stop worrying about it. Many of our clients are self-directed investors, and we enjoy helping them become more successful by following our professionally designed and monitored portfolios. **Our professional services are cost-efficient, and it's rare when a client doesn't make or save more than it costs.** As independent financial planners, we have a **fiduciary responsibility** to our clients to always put their best interests first. This may seem obvious to you, but in fact it is all too rare in the financial services area.

We are fee-only financial planners. A client's fee is the only payment we receive so that we work solely in their best interests. We do not take product commissions, nor do we gain from any portfolio activity. **No sales pressure - ever!**

OUR MISSION:

Giving clients the clarity and confidence they need to make consistently sound choices. If we may be of assistance in any way during the weeks and months ahead, please call or email. Check out our financial planning services: <http://www.feesonly.com>.

For others who may benefit from the monthly *MoneyMinute*, please forward. To sign up for your own copy: <http://www.feesonly.com/moneyminute.html>.

Rich Chambers, CFP®
Julie Schatz, CFP®
Jennifer Cray, CFP®
Investor's Capital Management, LLC, Menlo Park
Providing Unbiased Guidance to Financial Success
Member of NAPFA and the Garrett Planning Network
650-323-4706 info@feesonly.com <http://www.feesonly.com>

If you don't wish to see the *MoneyMinute* in the future, just reply to this message with "unsubscribe" in the subject.

Legal Disclaimer: Investor's Capital Management, LLC <http://www.feesonly.com>, and the *MoneyMinute* email does not render or offer to render personalized investment advice or financial planning advice through this free service. This service is limited to the dissemination of general information only. For specific financial advice you must enter into a formal relationship with a financial adviser.

Caution: All e-mail sent to or from this address will be received or otherwise recorded by ICM and is subject to archival, monitoring or review by, and/or disclosure to, someone other than the recipient.