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APRIL MARKET COMMENTARY

By Tom Crow

May 9, 2010

Index	Month End	Gain (Loss) by Period			
		Month	Most Recent Quarter	Year-to-Date	Trailing Twelve Months
Dow Industrials	11,009	1.4%	9.4%	5.6%	34.8%
S&P 500	1,187	1.5%	10.5%	6.4%	36.0%
Nasdaq	2,461	2.6%	14.6%	8.5%	43.3%

The markets cooled a bit in March, but until Thursday morning were still giving us some nice returns for the year. Volume kicked up a notch and looked encouraging, but things fell apart. Twice in the last week of April, volatility spiked over 20% on the big down days. This is an almost sure sign investors are ready to take profits and run or cut losses on any sign of weakness or uncertainty. Thursday's huge selloff (computer glitch or not), accompanied by a 30% spike in volatility, and Friday's continued weakness was confirmation as all the gains for the year were wiped out.

With respect to the long-term moving averages, the last time we were in a similar situation with the S&P 500 was mid-December of 2003. The index was up about 35% from a mid-March low and trying to break above the 40-month moving average. When it did, it remained above it, but it took almost all of 2004 for it to finally come off that base and move higher. From there, we were in a bull market that took us up another 45% all the way to October of 2007. The fact that we've had to come up almost 80% to get in the same situation speaks to the depth and severity of the last selloff and explains why we've become more cautious.

Our forecast, which accurately predicted a strong selloff at the end of last week, is also saying things could improve in early June. Even though some of the big, institutional money "sells in May and walks away," we can still have some strong summer rallies.

European debt problems are being blamed for the rest of the weakness in the markets. A few months ago it was only Greece we were worried about. Now, that circle of worry has expanded to include Portugal, Italy, Ireland, and Spain. Is this it, or is there more to come? Over the weekend, the "euro zone" countries put together a TARP-like program for Greece and other countries which seemed to comfort investors...or send the shorts scurrying for cover. Either way, expect more volatility with each press release on Europe, the oil spill in the gulf and anything else the media decides is important.

First-quarter GDP numbers were somewhat stronger, but some of the individual components may be breaking down. The government's report says real GDP grew 3.2%, powered mostly by individual consumers. It is going to get more and more difficult for consumers to keep spending this economy into recovery while we're maintaining consistently high unemployment rates.

Employment data for April released Friday morning showed the economy added 290,000 jobs in April, and February and March were revised higher by about 120,000. At the same time, more people returned to the labor force, which pushed the unemployment rate higher as well, back up to 9.9%. This has some analysts convinced a turnaround is underway, but a University of Maryland economics professor has estimated job increases will have to average 400,000/month to get us back to a 6% unemployment level by the end of 2013. We have a long way to go.

Something to consider in all this...the unemployment rate for management, professional and related occupations for 2009 was 4.6%. Share this information with your kids and grandkids! College-educated folks are working, making twice their less-educated counterparts, and with unemployment rates that low, can demand better jobs and higher wages. This supports earlier comments of mine about the widening chasm between the haves and the have-nots.

If professional unemployment is at 4.6%, a 9.9% national unemployment rate indicates blue-collar and entry-level unemployment is much higher. I guarantee we'll hear more about this as campaigns heat up, but when life is viewed with an attitude of entitlement, we are bound to feel disappointment, resentment and bitterness when our desires and expectations go unmet.

Some random observations and opinions...(yes, I have a few...and they are random.)

A pack of Senators grilled Goldman Sachs executives for over 11 hours about whether or not they were acting in the clients' best interest when they packaged and dumped worthless mortgage-backed securities on the market and then shorted the same market. Guess what? They don't have to act in the clients' best interest! They're brokers, not investment advisors. And guess who passed the laws making that the case? Congress! Can you say, "Show Trial?"

A few thousand years after King Solomon wrote, "there is nothing new under the sun," H.L. Mencken wrote in the American Mercury in May 1930, "The legislature, like the executive, has ceased, save indirectly, to be even the creature of the people: it is the creature, in the main, of pressure groups, and most of them, it must be manifest, are of dubious wisdom and even more dubious honesty. Laws are no longer made by a rational process of public discussion; they are made by a process of blackmail and intimidation, and they are executed in the same manner. The typical lawmaker of today is a man wholly devoid of principle – a mere counter in a grotesque and knavish game. If the right pressure could be applied to him he would be cheerfully in favor of polygamy, astrology or cannibalism."

Debt, both private and public, robs us, as individuals and as a nation, of opportunity. See the cartoon below. Is this really the legacy we want to leave our children and grandchildren?



Privately, if we die with lots of debt, our heirs' inheritance is reduced or eliminated. Publicly, unless they revolt, our heirs in this Republic will be forced to carry this burden, at the point of a gun if necessary, and live their lives at a lower standard of living. This is common sense and it strikes me as sad that we and our leaders continue to out-spend our income knowing it is the case. Either it means we long ago abandoned common sense, or we just don't care. With respect to our elected officials, neither case is a compelling argument for reelection.

Regarding that quote from Francisco d'Anconia I mentioned last month. If you have the stomach for it, go to <http://www.capitalismmagazine.com/index.php?news=1826> and read all 24 paragraphs excerpted from Any Rand's *Atlas Shrugged*.

Consider those words, written in 1957, as you hear unionized workers, including city, state and federal government employees demand not only that they keep their jobs and full benefits, but that they receive raises when 8 million workers (taxpayers) in the private sector have lost their jobs since the beginning of this recession.

One government employee union boss here in Albuquerque even had the gall to publicly blame private citizens for losing jobs and not paying enough taxes to keep budgets in the black. This complete lack of understanding of how governments get money and economics in general from these folks and our elected officials is appalling, but it explains quite well why we're in this mess.

I can't help but think of *Atlas Shrugged* when I hear the president say, "I think at some point you have made enough money." He continues, "[You] can just keep on making it if you're providing a good product or providing good service. We don't want people to stop, ah, fulfilling the core responsibilities of the financial system to help grow our economy."

I don't think there's a dictionary in the world that defines an entrepreneur as someone who is "fulfilling the core responsibilities of the financial system to help grow our economy." If ever a business owner decides at some point that he or she has made "enough" money, they have also decided either not to continue or grow their business, produce any more goods or services, or to hire any new employees. I challenge every American, or at least the few hundred who skim this to think very hard about that, and about whether that decision, and the power to make it should lie with the individual/entrepreneur or the president and congress. We are no longer a free society when our core responsibility becomes service to the system. I thought we created the system to serve us.

Perhaps the slap of April 15th still stings my face, but if you think your taxes are too low, and that congress is plenty responsible with your tax dollars, you will be thrilled to know the US Department of the Treasury now has launched an online donation site which will allow you to make payments directly to help reduce the public debt. I kid you not. If you are so-inclined, please go to <https://www.pay.gov/paygov/forms/formInstance.html?nc=1271991815942&agencyFormId=23779454> and give as much as you want.

If you're planning to give enough to make a difference, be prepared to dig deep. According to www.usdebtclock.org the national debt will soon surpass \$13 trillion. That's almost \$42,000 for every man, woman and child in this country, only about a third of whom are currently working and paying taxes. Back up and take another look at that cartoon.

That's more than enough for this month. Please call us if you have any questions or need anything at all. The Crows will be on a family vacation the first week in June. I will be available by cell phone and e-mail as time and technology allow, and Jenny will be in the office to help you if I'm not.