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Now What?

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So far, so good. That's about the best way to describe the stock market's behavior since the last issue on the 10th. Stocks were extremely oversold, have rallied sharply and are almost back to neutral, something we haven't seen since early January.

As I previously discussed, we saw record trading volume on the New York Stock Exchange along with historic pessimism at the recent lows. Buying by corporate insiders surged over the past few weeks, indicating a level of confidence in their own shares rarely seen. But to be fair, during this bear market, they've jumped the gun, like many of us, before.

Last week, I wrote about the rally.

*"the tone is somewhat different than we've seen and the internals are extremely strong, which bodes well for some continuation. Not surprising, the banks and other financials are leading the way with homebuilders and real estate not too far behind. I'd like to see even stronger performance from the four horsemen, Apple, Amazon, Google and RIMM, but it's still very early with plenty of time for them to take off for what could be 25-50% higher."*

With the market up more than 10% since the bottom, the most popular question is... now what?

With the short-term fuel for the rally off the lows getting close to exhausted, the next few days are key. It would be perfectly normal and expected to see a stall, pullback and another rally attempt next week or the week after. Continued, unabated strength would be uncharacteristic for this market and a very clear sign that something has dramatically changed for the better.

Market leadership has been exactly as expected with the most beaten down, rallying the hardest since the 6th. The number of stocks going up each day, along with their volume has been extremely impressive, as it usually is at the start of bull and bear market rallies.

Last week, I also mentioned four bellwether stocks, Apple, Amazon, Google and RIMM that were starting off slowly but could see 25-50% moves. Like well behaved children, they listened and decided to move to the head of the pack and should continue to build on recent strength. The same can be said of the all-important semiconductor group.

So are we totally out of the woods and off to the races never to look back? I doubt it. The market continues to build a very important foundation since the watershed day of October 10. I remain uncomfortable chasing prices higher, as I usually do, and prefer to use bouts of weakness to initiate or add to positions. Should this rally last much longer, I will have no hesitation about feeding the buyers with my positions.

On an intermediate-term basis, my thoughts remain the same as they have all year. The biggest rally of 2009 should be in Q2 and possibly Q3.

## **Ben Bernanke, Can I Buy You a Cup of Coffee?**

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It's really amazing that almost anyone you talk to "knew" the economy was going to collapse like this. They were 100% certain that the popular stock indices would get cut in half. The entire global financial system would be on the precipice of a complete meltdown. It was easy!

Yeah, sure it was! About as easy as selling snow to the Eskimos or sand to the Saudis.

I still shake my head in disbelief when I realize that for the price of a Starbucks coffee, you could buy a share of Citi, Fannie, Freddie, AIG, and GM. That's without commission, of course! I don't care who you are. There's NO ONE who could have ever imagined that scenario without a nuclear war. And if by some chance, you are one of those doom and gloomers who sit home wishing for the destruction of

capitalism, you came close. But close ain't gonna cut it.

Take a step back and think about the scenario you would have imagined if all it took was \$5 to buy those stocks. Yes, it's bad now, very bad. But nothing like you would have predicted for those stocks to essentially go away.

Although I am not a Warren Buffet fan (far from it), I still have to agree with him that we live in the greatest and most resilient economy on earth. To withstand the bloodbath we have so far and to watch the system teeter on the brink of disaster, it's still fairly impressive that it's not a whole lot worse.

Since January of 2008, I have remained consistent that Ben Bernanke was the right person at the right time to steer the Fed. Yes, long time readers may remember I called him Rip Van Bernanke for falling asleep at the switch in Q4 2007, but he has more than made up for that.

I seriously shudder to think what would have happened had the Fed not used outside the box methods to stem the tide in the financial markets or if Bernanke was not at the helm. It's a nightmarish scenario to the Nth degree. And before you hit reply, no, I do not agree with everything the Fed has done. How could I? But let me tell you, I truly believe that capitalism would have been in jeopardy with many other people as Chair.

I've given this a lot of thought, if I could get Ben Bernanke to honestly answer just one question without any backlash, I really want to know if he would have taken the job if he knew what was ahead.

Finally, the Fed just completed its first day of a two day meeting with their announcement due at 2:15pm on Wednesday. With rates at essentially zero and no hike coming while I still have hair on my head, it's not the pins and needles event it used to be.

Folks will read between the lines of the statement, but there's really not much more to come out. It will be interesting to see if they comment on previous intentions to buy long-term treasury bonds.

CNBC Friday Night

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I am going to be on CNBC Reports on March 20th between 8:05pm and 8:30pm.

I am also going to be on CNBC Worldwide on April 23rd at 5:30am.

You can view most of the past segments by clicking below.

## [Media Appearances](#)

### **Friends And Family Plan**

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Finally, as you know, our firm and this newsletter continues to grow mostly from your referrals. If you know anyone who is interested in securing their retirement, planning for it or just plain worried about it, please send them here. As always, thanks for thinking of us with your circle of family and friends.

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