



THE ADVOCATE GROUP

A Bridge to Financial Clarity

Weekly Commentary December 1, 2008

The Markets

We typically think of stock market volatility as a “bad” thing, but last week, we saw the “upside” of volatility.

As the chart indicates below, the broad-based S&P 500 index rose a stunning 12% for the week. Barron’s said it was the largest one-week gain in that index since 1974. In the holiday-shortened week, the S&P 500 index rose all four days that the market was open for trading. So, yes, last week was volatile, but it was all “good” volatility. By contrast, Bespoke Investment Group said for the 50 trading days ending November 23, the S&P 500 averaged nearly a 4% daily move up or down – the majority of which were down (i.e., bad volatility). Bespoke says that was the most volatile period in the history of the S&P 500 index.

Thanks to last week, the S&P 500 has now risen 19% since its November 20 closing low, according to data from Yahoo! Finance. We’d call that a very powerful rally!

The ironic part of last week’s rally is that the economic news is still terrible. Data from the Commerce Department showed orders for U.S. made durable goods fell 6.2% in October, which was the largest decline in two years, according to MarketWatch. The Commerce Department also reported that consumer spending declined 1% in October, its largest decline since the September 2001 terrorist attacks. And, of course, housing is still in trouble. The Case-Shiller home price index published last week by Standard & Poor's showed home prices in 20 major U.S. cities fell a record 17.4% on a year-over-year basis.

The fact that the market soared last week in spite of this weak economic news is a positive development. Remember, the stock market tends to turn around before the economy does, so perhaps investors are starting to see some light at the end of the tunnel. We’ll have to wait and see if that light gets any brighter over the next few weeks.

Returns through 11/28/08	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Dow Jones Industrial Average	9.7	-33.4	-34.0	-6.8	-2.0	-0.3
NASDAQ Composite	10.9	-42.1	-42.3	-11.8	-4.8	-2.4
Standard & Poor's 500	12.0	-39.0	-39.5	-10.7	-3.3	-2.6

Sources: Yahoo! Finance, Barron’s. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. Three-, Five-, and 10-year returns are annualized. Assumes dividends are not reinvested.

SOME WISDOM never goes out of style. Below are a few of the late Sir John Templeton's 22 Principles for Successful Investing that we think are worth remembering in this volatile market environment:

1. Outperforming the majority of investors requires doing what they are not doing.
2. Buy when pessimism is at its maximum, sell when optimism is at its maximum.
3. Buying when others have despaired, and selling when they are full of hope, takes fortitude.
4. Bear markets aren't forever. Prices usually turn up a year before the business cycle hits bottom.
5. Buy what other people buy and you will succeed or fail as other people do.
6. Invest worldwide.
7. When your method becomes popular, switch to an unpopular method.
8. Stay flexible. No asset or method is forever.
9. Stock market investing takes more skill than any other kind of investing.

Source: *The Templeton Touch* (1983), by William Proctor.

Templeton makes it sound simple, but we know from experience that successful investing is anything but simple!

Weekly Focus – Think Inspiration, Not Spending

After you cover your basic needs, you have a choice on what to do with your money. You can save it, spend it, or redirect it to higher purposes. Prudent planning suggests that you save a certain amount, but, after that, how do you determine how much to spend for your own gratification versus redirecting toward serving your highest commitments and deepest values? One of the best ways to answer that question is to ask yourself, “Whom do I want to become?” Once you know the answer to that question, the path you should follow will unfold... and it may surprise you.

Best regards,

The Advocate Group

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

Securities offered through LPL Financial, Member FINRA/SIPC.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

* The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Consult your financial professional before making any investment decision.

* You cannot invest directly in an index.

* Past performance does not guarantee future results.

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