

Q4 2009 Market Commentary (Excerpt)

January 22, 2010 S&P500 Index 1091

The S&P 500 in 2009 ended up 23.7% at 1115 after falling as low as 666 or -26.1% in early March. Many industries and sectors of the market performed far, far better, once again showing the importance and value of intelligent investment diversification strategies which allowed us to “cherry-pick” exactly what we wanted to be invested in! While this rally was impressive, it paled in comparison to what happened in China, Asia, Brazil, Russia and many other areas of the world.

Those who own the S&P500 have gone nowhere for the past 4 months, while those who own Mid-Caps, Small-Caps, Energy, Healthcare,

China, Australia and many other sectors/world regions have done dramatically better. But this has not been an easy rally. There have been violent rotations (flows of money) into and out of these areas often compressing what would have previously taken several months of market activity into now what routinely happens in **1-2 weeks, or less!** A recent example, masked by what appeared to be very low volatility in the S&P500 Index, the OSX / Oil Service Index of the 15 largest Oil Service stocks, rallied 15% in 2 weeks! and now is selling off again, back to where it was 4 weeks ago!

This rally/selloff has played out in so many areas of the market over the past months/years as to make the concept of “buy and hold” seem like lunacy. Frankly I do not understand the “strategy” of letting a perfectly good rally get wasted because of investor stubbornness that they do not want to sell or trade, but rather to only “buy for the long-term”. **POPPYCOCK!**

We live in an instant world where markets of all types – stocks, bonds, commodities, etc. are traded with an immediacy and violence that was unknown only a few short years ago. **THERE IS NO LONG-TERM ANYMORE!**

If you are not willing to trade to take profits, you may lose them rapidly. And, if you are not willing to trade at a moment’s notice, you will most definitely lose dozens of opportunities to make money in the course of just **ONE YEAR!**

Investing is about making money. It is hard work and requires great insight and research, intelligent strategy, thoughtful risk and money management and is **NOT** based on luck! While some may be lucky in the short-term and make money, the **only thing that matters is HOW MUCH DID I HOLD ONTO? Most will lose far more than they made because they will buy and sell at the wrong times and for the wrong reasons!**

We are in such an environment now, and will likely continue to be for many years to come.

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