



## *Looking for a turning point*

### **AFTER ENDURING A DREARY WINTER**

and the worst first quarter in six years, investors are eager for signs of life. Stocks bounced after mid-March, and most indexes finished the month with only minor losses. But the brutal first quarter left the S&P 500 down 10% since the start of the year, and down 16% since the high reached last October. Although the Nasdaq was positive in March, it lost 15% for the quarter, and 20% from its high.

Reverberations from the U.S. financial mess were felt around the globe. The Europe, Australasia & Far East Index (EAFE) underperformed the S&P 500 slightly in March, and was even worse for the quarter, down 15% in local currency. But when measured in U.S. dollars, because of the dollar's continued slide, EAFE was down only 9% for the quarter. Worst hit were Germany and Japan both down over 16%. Formerly high flying India sold-off close to 20% and China is down more than 30% so far this year.

The average diversified U.S. stock fund ended the quarter down 10%, and bear funds were the only category of equity funds ending with positive returns. Surprisingly, after strong performance in March, real estate funds came in second with only slight losses so far this year. Sharp declines in commodities hurt natural resource funds.

Value funds outperformed growth funds as is usual in down periods, and large-cap funds mitigated losses better than their small-cap counterparts during the quarter. In March there was little difference between the value and growth, but large-caps continued to outperform small across the board.

The Federal Reserve appears willing to do whatever it can to stabilize the credit and financial markets and thus far seems to be succeeding. Interest rate cuts, which reduced the Fed's benchmark short-term rate to 2.25%, are widely seen as necessary to support the broader economy,

but they've also made life tougher for the dollar. The U.S. dollar fell yet again in the first quarter, down 7.5% against the euro and 10.5% versus the yen, reaching new lows against the euro and its weakest level against the Japanese yen since 1995. But here, too, light may be appearing at the end of the tunnel in reports that the dollar is as undervalued against the major currencies as it's ever been. As the dollar's weakness stretches into its sixth year, analysts are signaling that an end could be in sight.

### **Hang In There**

As we all know, stock market declines are normal and expected. We also know that when the stock market moves up after a decline, it tends to move in bursts and investors who are on the sidelines will not participate.

We remind you that Upgrading is a long-term strategy designed to capture the majority of major trends. It is a continual process of adjusting incrementally to align with new market leadership as it is revealed.

If anyone has questions, please do not hesitate to contact us.

**Thank you for your business,**

**P. Michael Valley II**

\*Disclosure: Whenever you invest, you are at risk of loss of principal as the market does fluctuate. Past performance is not indicative of future results. Market Leadership numbers are provided by DAL Investments. You may obtain additional information from [www.noloadfundx.com](http://www.noloadfundx.com). Wall Street Financial Group, Inc. is not responsible for any information obtained from this website. Education herein is for educational purposes only and does not constitute a solicitation for a sale. Wall Street Financial Group, Inc. did not assist in the preparation of this material, although it is from sources deemed to be reliable, its accuracy and completeness cannot be guaranteed. Opinions expressed are those of the author and are not necessarily those of Wall Street Financial Group, Inc.

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