



# Frye Financial Center Business Update

## Weekly Commentary

January 9, 2006

### "Wait 'til next year"



#### **UNITED STATES FINANCIAL MARKETS WERE MIXED IN 2005**

The origin of the popular refrain “Wait ‘til next year” is widely credited to the fans of the old Brooklyn Dodgers baseball team. After losing the World Series to their long time nemesis, the New York Yankees, in 1941, 47, 49, 52 and 53, fans would console themselves and soothe their broken hearts by chanting, “wait ‘til next year”. “Next year” finally arrived in Brooklyn on October 4<sup>th</sup>, 1955, when the Dodgers defeated the same New York Yankees to win their first World Title.

Similar to the Brooklyn Dodgers of the mid-20<sup>th</sup> century, the strong U.S. financial markets faced formidable hurdles during 2005 in the attempt to achieve desired results. Amongst a myriad of concerns, there was the troubling Iraq situation, rising interest rates, soaring energy costs, Hurricanes Wilma and Katrina and the devastation left in their wake, etc. Yet, at year-end, even with all the uncertainty, the Dow was down only about ½ of 1%. In fact, the S&P 500 gained 3% and the NASDAQ gained 2%. Overseas markets fared much better, with the Dow Jones foreign index up close to 14%.

#### **2006 OUTLOOK (“WAIT ‘TIL NEXT YEAR”)**

As I begin my 31<sup>st</sup> year in the Financial Field, I will put into writing what I have told most of you personally. 29 of the past 30 years, began with seemingly insurmountable obstacles in the path of market success. Those obstacles included terrorist threats and attacks, wars, rampant inflation, soaring deficits, droughts, floods, unstable dictatorships, political uncertainty at

home, corruption---need I go on? Yet, over those 30 years, the S&P 500 index increased by an average rate of 12.2 % per year.

And if you are wondering about the only year that began with unbridled optimism, with money flowing into the market faster than our staff could process the funds, ....you might have guessed----it was the year 2000-----the beginning of the worst three-year run in market history!

While most investors and analysts are approaching 2006 with a bit of apprehension, using my contrarian analysis offered above, this cautionary stance may actually, bode well for the future. In addition, despite all the challenges and crises cited above, our economy continues to grow nicely, with the desirable combination of low unemployment, and low inflation, as well as healthy corporate earnings.

One of the major drags on the stock market has been the fact that Federal Reserve Chairman Alan Greenspan has continued to raise interest rates in order to control inflation, in the midst of an expanding economy. It is widely agreed and accepted by economists, that Greenspan and his soon to be successor Ben Bernanke, are very close to the end of the cycle with respect to rate increases. The stabilization of interest rates should be a positive signal to both the stock and bond markets.

## CONCLUSION

At Frye Financial Center, we enter 2006 with a sense of optimism and enthusiasm about helping our clients plan and work towards achieving their long-term financial and retirement goals. Our highly skilled asset management and research team, with Linsco/Private Ledger, continues to recommend and maintain well balanced and properly diversified portfolios; investing in domestic and foreign markets, large, small, value and growth companies to help clients minimize risk and potentially maximize returns. **By constructing blended portfolios of asset classes whose individual performances vary through different market cycles, and do not move in unison, clients will be positioned to weather potential volatility.** For more information on how a properly allocated portfolio can potentially improve performance, visit our website at <http://www.fryefinancial.com/asset-allocation.html>.

Folklore has it that during their title run in 1955, the Brooklyn Dodgers changed their slogan from "Wait 'til next year" to "This year **is** next year". We are committed and will do our utmost to help turn 2006 into such a year for all of our valued clients and friends.

Until next week,

Austin A. Frye, MBA, JD, CFP®

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