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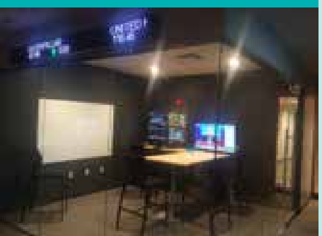
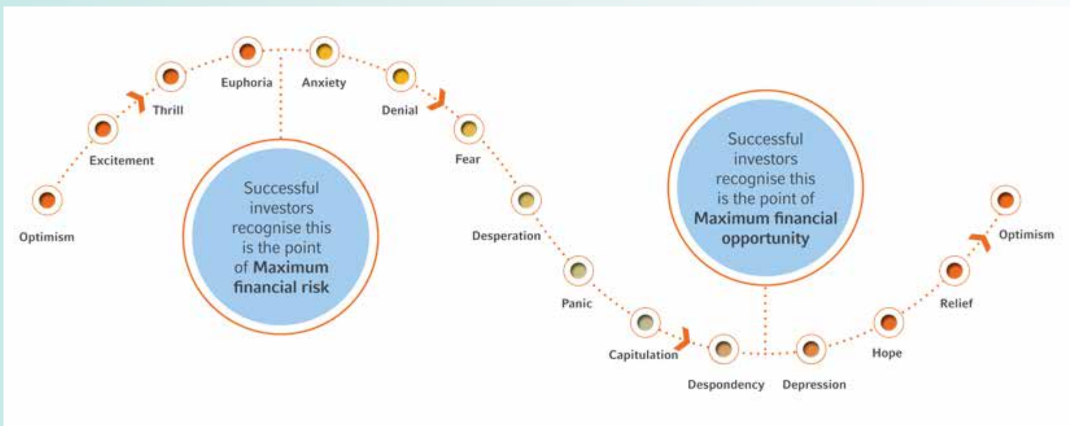


FROM THE LAB

Cycle of Market Sentiment

Market cycles follow a clear cut pattern that repeats over and over again, fortunately in an upward direction over a long period of time. Investors start optimistic (looking good), move to excitement (wow!), thrill (gotta have some!), and then euphoria (this time it's different!). That's when the market tanks. Euphoria is replaced with anxiety (ugh oh), the denial (this isn't happening), then fear (this is happening!). We then sink into desperation (oh no!), panic (it's over!!). What follows is capitulation (I'm out!), then despondency (we're doomed). Despondency goes into depression (we really are doomed), then hope (maybe it isn't so bad), relief (almost out of the woods), and back to optimism.

Here's what it looks like:



Source: lanyonadvisory.com

So where are we? That depends on what market we are talking about. For oil/energy sector and commodities we are likely in the Despondency/Depression portion of the cycle – so clearly we are watching for potential buying opportunities. For international equities we seem to be oscillating between fear and guarded optimism. With regard to the US stock market - recently - we're clearly not in excitement or thrill modes. In other words, there is always opportunity somewhere in a constantly changing and impossible to market time marketplace. However, over the last couple of years, those opportunities have been few and far between. Investors are best served by a well designed diversified portfolio - that is, unless the world ends. We've found that an end of the world scenario is hard to invest for, and if you win, you have no one to collect from.

So stay calm and remember the cycles. They are like the climate change in Michigan: changing.

Leon

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