

Fiscal Quarterly: 4Q 2008

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The fourth quarter of 2008 ended with serious downturns. Domestic equity fell 21.95% and ended the down 36.99%. This was not the biggest loser. International equities lost 19.90% in the fourth quarter and 43.06% for the year. This fall erases all the positive returns non U.S. markets gained from 2003 (the annum genesis of their fad) to 2008. Bond markets were likewise negative for both time periods, down 4.36% for the quarter and 8.53% for the year. Money markets were 0.31% and 2.03% for the quarter and year.

The market continues to move violently up and down. The unemployment rate steadily rose in 2008. Oil prices per barrel are moving up. At first glance, these may seem like more bits of bad news, but not necessarily. The violent swings in the market are the large institutions slowing flushes out the subprime investment. They are the mega day traders. Unemployment rose steadily in 2008, this is true, but the true 2008 annual number is only 5.8% unemployment, historically average (Bureau of Labor Statistics, <http://data.bls.gov>). Oil prices have seen huge changes, but are currently at the same level as in the year 2000 (NYMEX).

On another front, interest rates for home owners have fallen to a record low. According to Freddie Mac, the average mortgage rate for a 30 fixed is at 4.96% as of 15 JAN 2009. This marks an 11th straight week (almost 3 months) of declining rates for mortgages. The downside is how we got here; the Fed rate is 0 -25 bps, 0.0025%. Though it's exciting to see the benefit, there is a huge gorilla in the room named inflation. In six months I expect volatility to return to normal levels and see portfolios beginning to pull themselves into healthy territory, but inflationary factors may weigh down and burden real economic growth.

More news will be coming out by 2 February 2009 from the Bureau of Economic Analysis regarding GDP and corporate profits. Until then, I look forward to speaking with you soon – I've enjoyed the witty emails many of you have sent and welcome the thoughtful debate.