

# Market Update

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## The Good War

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Several years ago, historian Studs Terkel published a book about World War II, called The Good War. The title may be perplexing to many. What's good about war - especially one in which over 50 million people perished? Terkel interviewed hundreds of GI's and their families many years after the war was over. It allowed those interviewed the perspective of time and history to look back. The soldiers recalled that WWII was good because it lifted them above the limitations of their personal lives and let them be a part of a global cause that was greater than themselves. It was good because the united sacrifice was for something they deeply believed in, and it pursued the preservation of goodness in this world. This Veteran's Day, let us pause to reflect on the good our fighting men and women have collectively pursued for the sake of freedom and liberty we enjoy. Thank you!!!

Investors may feel there is a battle going on between the bull and the bear. One day, the bull maintains the upper horn to be knocked backward the next by the claw of the bear. *Is the current bull market over?*

*We do not believe the current bull market is over. Yes, the current bear worry relates to housing loans, a market credit crunch, rising oil and the prospects for a recession. The financial markets are fluid, and how long the unwillingness to lend lasts will determine its impact on the overall economy. We think the odds of a recession have risen over the past few weeks, though most experts we respect still don't think a recession is the most likely case.* Economic growth has slowed and is displaying a slower pace in other developed countries. At the same time, developing countries are still rapidly growing. Rapid money growth around the world will assist world economic conditions to avoid a recession. At this juncture, most economists believe we are in a "mid-cycle slowdown", and that the forecast for 2008 will have improved conditions with inflation contained (due to intense price competition).

October was an attractive stock performance month. The average domestic stock fund advanced 2.3% in the face of mounting mortgage loan and housing contagion. Foreign continues to outperform domestic stock funds. Growth trumped value for a fifth month in a row and sports a sizable lead for the year-to-date.

Below are the style performance highlights for October and year-to-date:

	<u>October</u>	<u>YTD</u>
Foreign	6.1%	24.7%
Small Growth	4.1%	16.9%
Large Growth	4.0%	18.8%
Mid Growth	3.8%	22.2%
S&P 500	1.5%	10.4%
Small Value	1.1%	2.2%
Mid Value	1.0%	8.5%
Large Value	0.8%	8.0%

The long term trek of the stock market reflects a continual climbing of a wall of worry. During past times of worry, it always feels inappropriate to stay invested. The battle seems too great; potential losses appear likely. As long-term investors, we believe that investing based on successfully predicting short-term market swings or economic developments is unlikely to be successful. We take a long-term view, where we can have greater confidence in our portfolio tactical allocations. This long-term investment approach has resulted in a winning strategy to investing our client portfolios.

**Please continue to check our website [nvestwealth.com](http://nvestwealth.com) regularly for weekly updates on the markets. As always, don't hesitate to let us know if you have any questions, or would like to schedule a time to review your portfolio!**

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