

Keep the faith, economic big picture is on your side

Intuitively, we all know it makes sense to be "greedy when others are fearful and to be fearful when others are greedy." Even though we've been through major crises before, it doesn't seem to help.

Many think the prevailing Great Recession feels different; that it is much worse. It's global, it's covered 24/7 by multiple media sources, it's bigger, and, inconveniently, it is happening at a point when we are all older than we've ever been. At a time when we seek more serenity, we get unprecedented volatility.

It is estimated that \$9 trillion is sitting in cash. Americans are risk adverse and saving defensively. We are hoarding cash in a state of fear. Why?

We've all heard the causes for our current condition. If we could just remember that the "market" is only

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a reflection of where buyers and sellers have agreed to trade shares in the ownership of companies. When stocks are sold, they don't go into a black hole; somebody buys them. There are exactly as many sellers as there are buyers.

If buyers are only interested in bargains and sellers are in a panic, what would you expect? Prices fall through the floor with no regard for valuation.

This continues until a "triggering event" motivates buyers to bid prices

up again. A potential triggering event would be clarity from governmental leadership.

In a panic, fundamentals don't matter. That's why the stock market is dirt cheap when compared to historical measures of price/earnings ratios or book value to market value.

However, baby boomers are consumers. We will retreat to old habits and spend again. Seventy-one percent of us still have a living parent with savings stuffed in a bank, credit union or sock. That generational transfer of wealth is gaining momentum every day. Most of the "Greatest Generation" was born between 1914 and 1924.

The LIBOR rate now roughly equals the Fed Funds rate, meaning large banks trust one another again. Interest rates are at an all-time low. The dividend yield of the S&P 500 is

greater than the 10-year Treasury, which is unheard of. Lower oil and gas prices equate to a \$350 billion stimulus to the economy though there is a lag factor that delays its full impact for several months. Housing prices have ceased to plummet in the few "trouble spots" in the country.

Eighty-nine percent of all dwellings in America are occupied by people who are paying their bills. Ninety-two percent of America is working. Remember, our economy has 140 million jobs — we've lost 2.5 million so far.

You've heard in the news about the 140,000 store closings, but have you heard about the 105,000 to 110,000 store openings in the works this year?

The Consumer Confidence surveys show the lowest numbers in

decades. Yes, we're in a funk, and the future may not look quite like the past. We might be unable to practice conspicuous consumption. You may need better professional guidance to determine what you can and can't do and should and shouldn't do. That may even include an evaluation of the quality of "professional financial advice" that guided you to this uncomfortable spot.

Keep the faith — the unreported "big picture" is on your side.

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