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Cadence clips

HELPING OUR CLIENTS BUILD AND MAINTAIN WEALTH WITH AN UNWAVERING FOCUS ON CLIENT SERVICE AND COMMUNICATION.

Markets can be resilient

As of the writing of this letter, it appears that the stock market picked up a little momentum in the month of August and has a good chance of finishing the month in the black. (The deciding factor may indeed be the Fed announcement from Jackson Hole, WY on the final day of the month. Fed Chairman Ben Bernanke is expected to provide guidance on the issue of further monetary policy accommodation). A positive finish for the month wouldn't be at all bad given the continued sense of despair relating to global economic conditions. This is usually a phenomenon that leaves investors and professionals alike scratching their heads. How can the market rise when economic prospects seem so dire? We believe there are a couple of reasons for this: First, is the market's ability to look ahead at what the future may hold rather than revel for too long in the banality of the here and now. This mechanism is referred to as "discounting" and typically means that by the time what was thought may be true is actually confirmed true, the market has already weighed in on the matter and moved on. Hence the old adage, buy the rumor and sell the news.

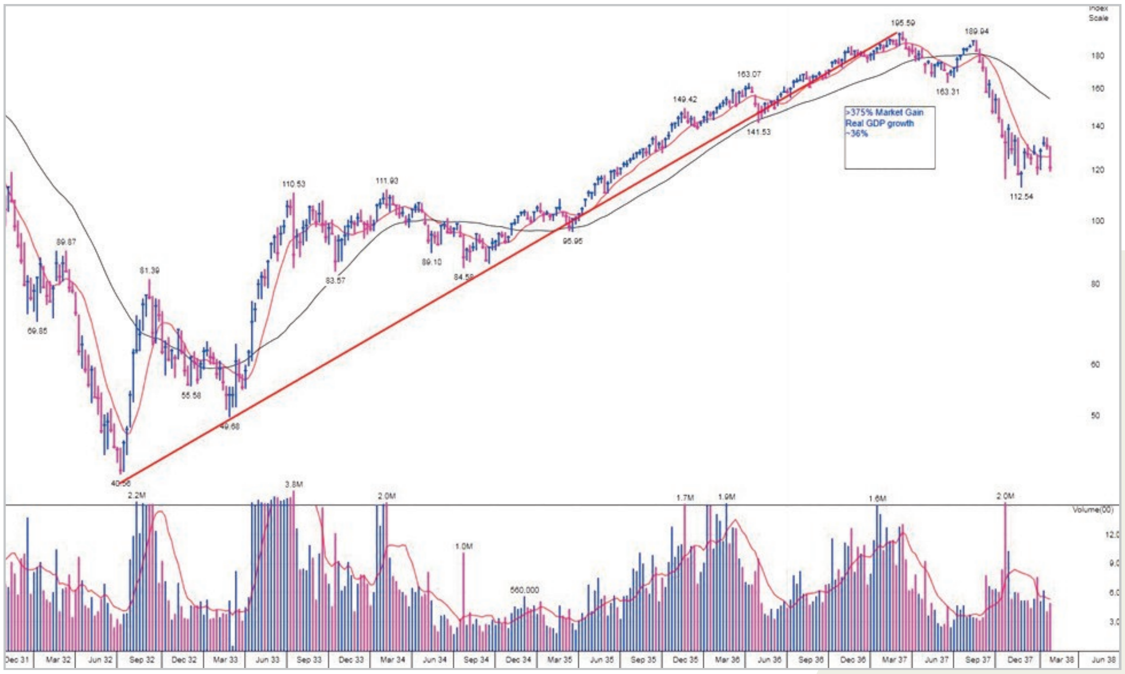
Another reason markets may move opposite of the current economic mood is ultimately stock prices reach a low enough level to justify investing regardless of the current economic malaise. When this happens, investors feel money can be made over time even if economic conditions don't improve. Both of these potential catalysts have the effect of creating more demand for stocks, thus pushing the market higher.

Let's take a look back to one of the worst economic periods in the last century for reference. The chart on page two shows the Dow Jones Industrial Average from the period between 1932 and 1937 – the heart of the great depression. What you'll notice is that the market trends very nicely off its lows in July 1932 and ultimately peaks out more than 375% higher in March of 1937 - even though real GDP growth is up only approximately 36% over that same period! Typically stock market growth and GDP growth are much closer to one another over longer periods of time. We can make two observations from this. First, market growth far outweighs GDP growth. Second, conditions at the time would have felt much worse than the economic growth numbers would imply since there was so much damage done to the economy in 1930 through 1932. The economy was simply bouncing off a really low level of economic activity from 1932 – people were still very much hurting.

What's also interesting to think about—but we'll largely refrain in order to keep within the margins of this letter—is the political situation of the period. Fair to say that the primary issues were creating jobs and economic growth, and there were very polarizing views and personalities on both sides of the argument. Roosevelt's New Deal consisted of programs that were hotly debated over the period we're looking at, some would argue much more contentiously than our current proposals promising economic prosperity. In fact, the famous court-packing scheme – Roosevelt's effort to add justices to the supreme court bench in order to protect his New Deal Programs from being deemed unconstitutional – was unveiled February 1937, and served as somewhat of an emotional crescendo around the efficacy of these New Deal programs. Yet, the market continued its run. (Continued on page two)……………...

Markets can be resilient (Continued from page 1)

An interesting question to ask is this…If we stepped into a phone booth and were transported back to 1933, would we feel comfortable investing in the stock market given economic conditions, the political climate, and prospects for future investment success? If we're being honest with ourselves, the answer would be "no". The follow up question would be, would we do it anyway?



WE WOULD LIKE TO SAY "THANK YOU!"

To say thank you for your trust and loyalty, we would like to invite you to join us for the following event:

BOSTON PHILHARMONIC ORCHESTRA

OCTOBER 27TH

MEET AND GREET WITH

CONDUCTOR, BENJAMIN ZANDER: 6:45 PM

CONCERT: 8:00 PM

JORDAN HALL, NEW ENGLAND CONSERVATORY

Please feel free to invite friends or family members who may benefit from meeting with us in the future. Tickets are limited, so please RSVP soon by calling us at: (508) 898-0400, or emailing us at: aimee@cadencewm.com.

Thanks again, and we look forward to seeing you at this special event.

Have a great September!
Cadence Wealth Investment Department

LABOR DAY HISTORY

Peter McGuire is considered the Father of the Labor Day holiday. An Irish-American cabinet maker and pioneer unionist proposed a day dedicated to all who labor at a meeting of the Central Labor Union on May 18,1882 where he stated, "Let us have, a festive day during which a parade through the streets of the city would permit public tribute to American Industry.". He is described as a red-headed, fiery, eloquent leader of the Brotherhood of Carpenters and Joiners.

In September 1883, New York workers staged a parade up Broadway to Union Square. Few, if any, workers got the day off. Most were warned against marching in the parade with the threat of getting fired. Despite the warning, more than 10,000 workers showed up for the march. Led by mounted police, bricklayers in white aprons paraded with a band playing "Killarney." The marchers passed a reviewing stand crowded with Knights of Labor: a holiday was born. McGuire's holiday moved across the country as slowly as did recognition of the rights of the working man.

Twelve years later, on June 28, 1894, President Grover Cleveland, long a foe of organized labor, but under voter pressure, signed a Labor Day holiday bill designating the first Monday in September for the holiday.

Important Disclosures