

A Balanced Approach...Revisited. PMG Wealth Management's 4th Quarter 2009 Outlook.

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As we move into the last quarter of the year here are a couple items of interest. First, Christmas is now under 90 days away and that alone is incredible of just how fast time moves on. Second, we are a year removed from the crisis of 2008 and slowly pulling out of a recession day by day. With the S&P 500 index approximately 50% above the March low and currently up about 18% year to date one has to take notice of how quickly things can change. This does not mean all is rosy, it isn't, but we seem to be turning a corner as the economy continues to rebuild.

As the market attempts to rebound, for those who dig deeper into the rebound, one would notice the market getting more selective. Higher quality names are recovering and those who still remain are beginning to take their seat back at the head of the table. A tough economy allows those businesses with a competitive advantage to grow market share from a weaker competitor. This would drive earnings within the higher quality company and hopefully show up within the stock price. Company earnings remain a positive point for the investor.

Over the next quarter investment managers will continue to be selective since the fundamentals support doing so. Stronger companies just look better right now making the others look not so good. End of the year "window dressing" could additionally support this trading activity.

At the beginning of last quarter the big debate was inflation and mostly how much were we going to get with all the government spending. That story still has yet to unfold and may not do so till spring-summer of next year. The Federal Reserve continues to hold rates down doing all it can to help the housing market. Wall Street traders may move rates higher before the Fed does.

With potentially low interest rates for a while longer, we are recommending a balanced approach to investing for our clients, including fixed income and equities within portfolios. Fixed income investments most likely will continue to provide fair returns when compared to equities with less risk for the time being. As long as inflation remains low, fixed income can be a good place for many investors. Equities will also benefit from this and could get more fuel from an improving economy.

When you look at all the economic data along with how quickly we have rebounded from the bottom I think our case for a balanced approach only gets stronger. We could remain sideways to slightly up for the rest of the year as investment managers, including myself, look forward to showing positive figures for 2009 to clients.

As we head into the Holidays, another area that should grab headlines will be the consumer and retail sales. It will be interesting to see what the consumer does and where they spend their hard earned dollars. Retailers have been working all year for these next 90 days and the news of strong or weak retail sales could be a factor for how we end up the year.

For those of you still reading this...Yes, that was another point for a balanced approach...

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