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Good News / Bad News

The U.S. economic recovery is strong, durable and now plain to see and the pace of recovery is accelerating. The employment picture is strengthening significantly after six tough years. Pessimism still runs rampant despite this spate of good news; a result of the lingering trauma from the Great Recession. The logic of investing dictates that when this pessimism morphs into confidence that a booming recovery has taken hold, the bull market will be long in the tooth. Already the broad U.S. stock market has nearly tripled from the bottom in March 2009 and people have barely noticed. When they do, it will be the beginning of the end, at least temporarily, for investors. In the words of Federal Reserve Chairman William McChesney Martin in a 1955 speech, the job of the Fed is to order "the punch bowl removed just when the party was really warming up." The cycle is predictable, the timing and size of the moves are not. With two out of three variables unknowable and the rewards of participating in broad investment vehicles significant, most investors are best served by sticking along for the party and riding out the cleanup.

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About Larry Luxenberg

Larry is a Chartered Financial Analyst with 28 years experience as an institutional investor and financial consultant. Larry specializes in retirement planning for Baby Boomers and strategies for maximizing benefits for Social Security. He has been widely quoted in newspapers and magazines and has appeared on CNBC and other television and radio programs.