Material discussed is meant for general illustration and/or informational purposes only and it is not to be construed as tax, legal, or investment advice. Although the information has been gathered from sources believed to be reliable, please note that individual situations can vary therefore, the information should be relied upon when coordinated with individual professional advice. Not all portfolios are actively managed. If you have a question about how your account is being managed please contact us. Generally accounts less than $150,000 are not actively managed.

As the market recovery gained momentum in April and May of 2009, Lowe *fs* wrote that it was within the realm of possibility that the Dow Jones Industrial Average (see index disclaimer) would hit 10,000 by the end of the year. Well, here we are in October and the Dow sits at 10,000.

It remains our belief that the underlying economic data is not supportive of a continued increase in stock market values. Readers of this column know that Lowe *fs* believes there will be a gap between the government stimulus ending (though there is talk of extending and expanding the home buyer credit) and true economic recovery.

There is a very real risk that the government stimulus will not bridge the gap between the artificial economic growth and true economic growth.

For the stock market to have a meaningful and sustainable move to higher levels, we must see true economic recovery and growth. This would come in the form of reductions in unemployment, a rise in consumer spending and true growth in corporate profits.

The economic data to be released this week will be telling. The GDP (Gross Domestic Product) is anticipated to be in the 3% range. If it comes in less than 3% we could see continued downward pressure. If it comes in as expected or better than expected the reaction of the market may shed some light on just how much gas the stock market may have left.

Unemployment numbers will also be closely scrutinized this week.

Higher energy costs are anticipated as we head into colder weather. Take a look at prices of gas during the past few weeks. There have been noticeable increases at the pump. Higher energy costs do not translate into consumer confidence which would spur spending. Rather, more pressure will be put on consumers who are already stretched to the limit.

While the overall trend of the stock market continues to be positive, there are some indicators that change may be coming. According to Barron's, financial and technology stocks tend to lead a stock market rally. Those two sectors are now lagging the broad market.

In the past Lowe *fs* has talked about investor complacency. In times when investors are not paying attention to risk there may be a greater chance for a more significant

correction in the stock market. At the time of writing, investor complacency is nearing a 52 week high.

Oil and, gold have been rising, and the dollar is falling. That typically is not a recipe for a sustainably rising stock market. Something must give at some point. Either commodities could slide or equities could correct (or both). We are seeing some "give" as we write this column today the Dow Jones Industrial Average is down just over 1% or about 106 points (WSJ Online). The encouraging factor is that we did not see an increase in the selloff as we entered the final hour of trading.

When any market correction (absent solid economic data) might occur is impossible to predict. However, a plausible scenario places pressure on the economic recovery in early 2010. It may occur sooner, it may occur much later, or it may not occur at all. At some point a 5% or 10% near term correction in the domestic stock market could occur.

At the present time Lowe *fs* believes the most likely scenario is for the market to move sideways until data drive it in a clear direction. It will need some push to move up toward and past 11,000 and it will need some push to move back down.

We continue to counsel with our capital markets analyst several times each week, discussing strategies, asset classes, responses and ideas for our discretionary account holders. At the present time we do not anticipate any significant shift in strategy or holdings.

Important Disclosures

Not all portfolios are actively managed. If you have a question about how your account is being managed please contact us.

No diversification can completely protect against market risk or other risk factors with investing. A diversified portfolio could still lose money.

An Index is a portfolio of specific securities (common examples are S&P, DJIA, NASDAQ), the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. Past performance is not indicative of future results.

Foreign investing carries additional risk such as currency risk, political risk and different accounting standards.

Lowe fs is a registered investment advisor.