

What BOAT Are You On?

by Mike Keliher

Was that the *S.S. Easy Street* setting sail in lower Manhattan in mid-April 2007?

Did you miss that boat?



SO WHAT TO MAKE OF IT ALL?

Those on Wall Street say *buy, buy, buy. The party will never end. It is a New Era. Just look at all those Dow Jones records. Surely if the Dow is showing a string of such impressive gains with hardly a drop, blue skies must be ahead as far as the eye can see. Why just look, another highest close ever.*

Alas, while those claims are touted today on financial news stations far and wide, they were just as applicable on a sunny September day long, long ago. For you see, the Dow Jones Industrial Average recorded the last string of such impressive wins in 1927. That win streak led to an all-time closing high on September 3, 1929. The summer “dip buyers” of that bygone era were also bedazzled by the blue sky forecast of the day. Alas, there would be no more blue skies for many. The next Dow high after September 1929 came in 1949.

So let us take a closer look at that boat leaving the dock. Are those well-to-do partiers sipping champagne on the *S.S. Easy Street*? Or does the name on the bow harken back to another voyage that started with nothing but high expectations and bubbly all around. If you look very close at the name on the bow, the block letters of this 2007 voyage might actually read: *RMS Titanic*. +



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FOR MOST AERICANS the answer is yes. Our wealth is in our homes, not Wall Street. Assets in equities are generally in mutual funds, not focused on the 30 stocks in the Dow Jones Industrial Average. So should you follow the touts and buy any early summer dips?

As of May 16, 2007, the Dow had closed at record highs 23 times in 2007 and 45 times since October 2006. Further, the Dow had closed higher than the day before an astounding 28 of 32 days. A pace that had not been seen in 80 years!

Alas other news was not so cheery, but easily explained. . . . *April retail sales were abysmal.* Leading retailer Wal-Mart posted its weakest performance ever. *But it was an early Easter and the weather was bad,* the pundits explained. . . . *Four dollar gas this summer* another headline read. *But inflation indices show, sans food and energy, inflation was tame* came the reply (for those not driving or eating ’twas good news indeed). *Record foreclosures, defaults, and credit problems,* another story claimed. *Not to worry* The Street said, *our eight-figure condos will hold up just fine.* The (debt-saddled) consumer will continue to spend (money they don’t have). *Sub-prime problems will never move into other types of mortgages.*