CITIZENS WEALTH MANAGEMENT

Market Commentary

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Market Returns

	October	November	Year to Date		October	November	Year to Date
DJIA	**-14.1%**	**-5.3%**	**-33.4%**	**MSCI EAFE**	**-20.2%**	**-5.7%**	**-48.2%**
S&P 500	**-16.8%**	**-7.5%**	**-39.0%**	**MSCI Emerg Markets**	**-27.5%**	**-7.6%**	**-57.7%**

November The Dow Jones Industrials declined in 10 of the first 14 trading sessions of the month, closing on November 20th a whopping 19% lower. September had a similar start with 3 of the first 4 sessions closing lower and October had 6 of first 7 trading days lower. Since November 20th, the Dow has had five straight winning sessions to recover an unprecedented 17%, but still ended down 5.3% for the month.

"Joe Investor, the Markets Are All Yours Now" This was the title of *The Wall Street Journal's* Intelligent Investor column last month by Jason Zweig, an excerpt of which follows:

> **"The tables have turned. For the past couple of decades, the markets have been dominated by institutional investors who devoured bargains so fast and in such bulk that individual investors were usually left, at best, with a few scraps. But pension funds, hedge funds, mutual funds and other institutions are under siege as their portfolios implode and investors redeem their shares, forcing the fund managers to raise cash.**
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> **Virtually every investment that carries any risk is on sale. Stocks and bonds, at home and abroad, have had their prices slashed by up to 45% this year. Yet at the very moment when bargains abound, many of the giants who normally would buy can do nothing but sell.**
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> **Welcome to a buyer's market without buyers. This is a huge change for the little guys. Rob Arnott, who oversees $35 billion at Research Affiliates LLC in Newport Beach, Calif., puts it this way: 'The question that hardly anyone ever thinks about is: 'Who's on the other side of my trade, and why are they willing to be losers if I'm going to be a winner?' Ever since the 1970s, the person on the other side of your trade has almost always been someone who manages billions of dollars and has millions of dollars to spend on gathering more information than most individuals ever could. Now, however, as Mr. Arnott says, 'You can -- and probably do -- have a counterparty on the other side of your trade who absolutely has to sell, perhaps at any price.'**
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> **You would be very wise to give these distressed sellers a little bit of your cash, which they overvalue, in exchange for some of the stocks and bonds that they are undervaluing. Sooner rather than later, institutions will no longer need to beg for cash, they will regain the upper hand over individuals, and the tables will turn again."**

To emphasize Mr. Arnott's point, when you buy a stock, a corporate, municipal or high yield bond, a commodity, a mutual fund, a hedge fund, or just about anything with the exception of Treasury debt, there is a person on the other side of your trade who absolutely has to sell, perhaps at any price, motivated by panic or reason, born of fear.

Waxing Nostalgic As I look back on Thanksgivings past, I remember a few, including this year, where due to the economy, investment markets or job situations, I thought there was little for which I had to be thankful. Most of you reading this have had similar life experiences. We may not always come out on top when facing life's challenges, but I believe the current market decline is one where we will prevail, look back, and remember this as a storm that changed the economic and investment landscape, but left us fundamentally the same.

Turning Lemons into Lemonade We are recommending that our clients with taxable accounts invested in no-load mutual funds swap out of their losing positions and immediately buy back into similarly-performing funds, harvesting the capital loss and maintaining market exposure. Capital losses for the current year can be carried forward indefinitely to offset future capital gains, as well as up to $3000 per year of ordinary income. If the pundits are right, and tax rates increase next year, booking losses now could be even more valuable in future years.