

Market Returns

	December	2008		December	2008
DJIA	-0.6%	-31.9%	MSCI EAFE	+5.9%	-45.1%
S&P 500	+0.8%	-37.0%	MSCI Emerg Markets	+7.6%	-54.5%

December While the month's returns were anemic, the market's tone was much improved. On a horrible first trading day December 1,st the Dow and S&P 500 declined 7.7% and 8.9% respectively, and spent the rest of the month recovering almost exactly what they lost.

2008 Market Comments In reviewing our Market Commentaries from 2008, we now invite you to judge whether or not Citizens Wealth Management has the gift of prescience. What follows are comments we are glad to have made☺, and others about which we are not so proud☹:

- ☺ January 1, "Are you comfortable with your mix of cash, fixed income and stocks?"
- ☺ February 1, We argued the US dollar would remain the world's reserve currency, contrary to George Soros' opinion.
- ☹ February 1, Presented a counterpoint opinion from Steven Rattner to George Soros' comment that the current situation is "the worst market crisis in 60 years."
- ☺ May 1, "Whether the April recovery is sustainable, or merely a pause, it affords you the opportunity to calmly review your asset allocation. Your allocation should reward you when the market does well and should not cause you undue concern when the market does otherwise."
- ☹ May 1, We listed the negative headlines in April 30th *The Wall Street Journal* and commented, "It is enough to make a contrarian bullish!!" (Though we pointed out in May the S&P 500 was up 1.1%.)
- ☺ June 1, "We believe the price moves in oil are not supported by fundamentals."
- ☹ June 1, "...sometime between this fall and winter we believe the Federal Reserve will shift its focus to inflation and drive up interest rates."

While the ☺ comments exceeded the ☹ ones 4-3, we have no plans to start a psychic hotline anytime soon.

IRA RMD Changes for 2009 From the *Wall Street Journal*, December 27, 2008, "On Dec. 23rd, President Bush signed legislation that suspends the rule requiring older Americans to take withdrawals from tax-deferred retirement accounts, such as traditional IRA's and 401(k)'s. But there are hitches. The suspension lasts for just one year, 2009. And while intended to give beaten-down retirement accounts time to rebound, the new law may also present confusion, particularly for those just starting to take required withdrawals." Check with your tax advisor regarding your situation.

A Positive Scenario Given the negative sentiment in the markets, for balance, we would like to present a positive view, whether or not we believe it will come to pass.

- Economic activity fell off a cliff in the fourth quarter. There is no reason it could not recover nearly as quickly.
- There is an argument for the stock market rebounding more quickly than the economy. Stocks most often anticipate economic trends.
- The Troubled Asset Relief Program (TARP) is approaching \$1 billion, the President-elect's economic recovery plan carries a price close to \$1 trillion, and the Federal Reserve has the Fed Funds rate below 1%. The decline in commodity prices, especially oil, has put spending power back in the consumer's pocket. In all, this is a tremendous amount of economic stimulus.
- Last week, despite ridiculously low yields, money market deposits rose to record levels, providing plenty of "dry powder" to sustain a stock market rally.
- Finally, 2008 was the worst stock market percentage decline since 1937. Many stocks are priced for a financial Armageddon that may never occur.