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IT'S ALL GREEK TO ME

January 2010 was almost a mirror of the prior year as the markets posted a huge gain on the first trading day and then ended with a loss for the month. In both cases, financial viability was at the forefront of the market selloff with the crisis going from the U.S. banking industry last year to the Greek debt crisis this year.

The fear that the latest crisis could spread globally was enough to cause major profit taking within the better performing sectors of the past months. The hardest hit sectors were commodities, REITs and emerging markets. This occurred even as corporate earnings and economic data seemed to be mostly positive. With the volatility index at levels that suggest complacency, the S&P 500 more than 60% off of its March 2009 lows and the markets reacting more to the negative news than positive, the easy money has been made.

The investing community going forward will be paying very close attention to the resolution of the Greek debt issue. I believe the European Union needs to be careful with the way they handle the situation. As an example, if the E.U. bails out Greece, they could be setting themselves up to do the same with other nations that may find themselves in a similar situation. The Euro has declined and likely will continue to do so until a clear resolution is in place.

On the domestic front, I am encouraged with the economic and corporate earnings announcements. The unemployment rate has slipped under 10% and a majority of companies have been beating their, granted very low, earnings expectations. I will be more encouraged if I see companies consistently beating their revenue estimates and increasing their forward looking revenue guidance.

All in all, this feels like a market correction rather than the beginning of a new bear market. Before I am convinced, I need to see a sensible resolution of the situation in Greece and a continued improvement of the domestic unemployment numbers.

As always, sensible diversification is the key to weathering any market uncertainties.

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