

REAL MONEY

Rob Rikoon

Is The Recession Over?

The short answer is no but the good news is no one is talking about a depression anymore, that is, unless you are one of the 10% of Americans who are unemployed and then you are likely to encounter a different kind of depression. How will we know when things are getting better? It won't be from reading government pronouncements or following the stock market but by watching the trend in employment numbers.

The economy is still in decline but it is getting worse more slowly. The key to the eventual recovery, and it will happen, is for people to have jobs and to feel secure in the value of their homes because only then will they spend discretionary money. The US consumer is the lynchpin of the global economy. Local housing prices, along with jobs, must show signs of stability before the markets have a firm base from which to rebound. Nonetheless, investors who know what portion of their portfolios they are comfortable with in stocks should keep it there through whatever this downturn has left to go.

How can you anticipate what will happen with inflation, interest rates (for refinancing), or the markets... take it one step at a time. By talking to your friends, you can get a sense of residential sales prices in your neighborhood. Which houses, offices or retail spaces are in trouble? Find out how people are doing at their workplaces. Is anyone hiring?? When you hear the first few cases of people or businesses secure enough to expand or raise prices, you will be able to sense that the recession is over.

Economists like to think they are ahead of the general public's knowledge curve and savvy investors like to think they are ahead of the economists. Some economists, like Nouriel Roubini, are ahead of the curve. He warned of the banking crisis well before it happened. Now, he is optimistic about a few places like South Korea. Check out his site: www.rgemonitor.com for some of the best economic analysis around. We believe that diversifying overseas, especially outside of Europe and Japan, is essential for growth investors over the next decade.

Some investors are ahead of the curve, and even in a long term sideways moving bear market, people can invest successfully. Jerry Grantham, one of the best, has been around the block a time or two and he sees the market as I do, likely retesting its lows of March and calls it slightly overvalued at present levels. We also agree that some companies in the fields of alternative energy and combating climate change will make money going forward, no matter what the general economy is doing, as these are the two biggest economic initiatives of the Obama administration.

More next time about inflation, interest rates, and why the US dollar will continue to enjoy confidence in the world's economy even though the printing presses are going full speed ahead!

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