

October 29, 2009

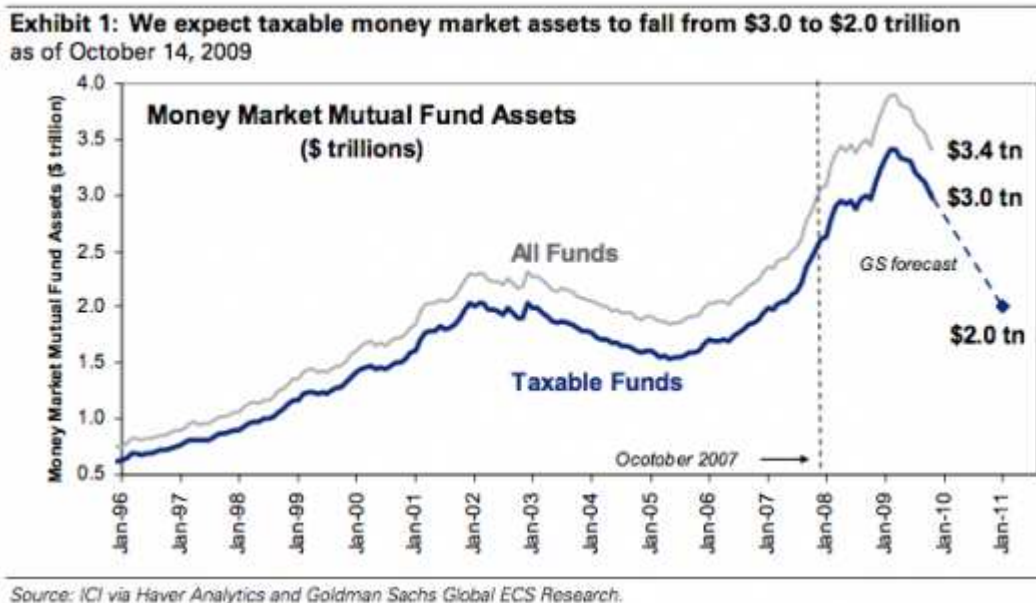
Everyone's Afraid

Fear and Greed drive the market, but all we see is fear

The October correction in the stock market has only amounted to 5% through yesterday's close, but it feels much bigger than that. Our nerve endings are still raw from last year's crash so that magnifies every wiggle in prices. Anyone invested in stocks is a nervous holder.

But there's another nervous group---those with cash.

As this chart shows, there's still a lot of cash out there. Some has been invested, but most of it was moved into bonds this year, not stocks. With cash yielding practically zero investors have been forced to do something. The first move is into bonds, so there's still plenty of buying power waiting to be put into stocks.



But who is nervous with cash? Investment professionals who raised cash in 2007 and 2008, but failed to put it back to work in the first half of 2009 are beginning to feel the heat from clients. Mutual fund managers will not want to show big cash balances at the end of the year with the index up 15% or more.

So everyone is nervous. However, if the idea is valid that the stock market climbs a "wall of worry" then this bull move has a long way to go.

Best regards,

Daniel A. Ogden