



RBC Wealth Management™

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F. Scott Fitzgerald once said the "test of a first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time and still retain the ability to function." More frequently than any of us would like, financial market activity requires this ability. As per my note earlier this week, there is much turmoil and confusion in the world, particularly yesterday. This weeks trading seems quite similar to what happened when a number of emerging market countries defaulted on their debt in 1997 and also the 1998 default by Russia and Long Term Capital was bailed out by a consortium of Wall Street firms and the Fed. Those events were greater in scale than Greece on it's own - however, contagion fear is in the air. In '97 and '98 there were cataclysmic sell off's like yesterday and they proved to be excellent entry points to the market (and flushed out those who become overly emotional based on fear rather than rational evaluation). Since the second world war there have been 11 recessions and the average economic recovery has lasted 57 months. This means we should have at least 4 years to go in this recovery cycle.

At the moment, U.S. stock market futures look up slightly. I don't know if we will trade up or down today or tomorrow, but I do know there is \$5 trillion in sideline cash and that U.S. non-financial companies are sitting on \$1.25 trillion in cash. If corporate America starts to announce stock buy back programs - as they can afford to and should - and employment numbers continue to improve (we have an important jobs report this morning), investors will calm down and markets will behave more rationally. Financial markets are somewhat like an accordion - when compressed they look scarily volatile, but when stretched out you see there is a long term consistent uptrend. I am sure some of you become tired of hearing me counsel patience, but that is my best advise.

As always, I am happy to respond to questions and thoughts by phone or email.

Regards,

Terry

The views presented herein are solely those of Terrence Webb, and do not necessarily represent the views of RBC Wealth Management. Current status of issues discussed in this letter is subject to change based upon market conditions and industry fundamentals. Clients should work with their Financial Advisor to develop investment strategies tailored to their own financial circumstances. Past performance is no guarantee of future results.