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July 2008

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Grrrrr... It's a Bear

Currently the markets remain in a very volatile state. We hit a low point in March, and then began what appeared to be a recovery, only to drop once again in June. As it sits today, the DOW is barely above its lowest point of the year. The effects of this will be visible as you receive your June 30, 2008 statements.

Fundamentally, the economy is not as bad as headlines would lead us to believe. Despite record oil prices and the housing crises, the economy has continued to grow and both personal incomes and spending recently increased. Consumer sentiment, however, is at a multi-year low. That emotion is likely playing a part and contributing to the stock decline.

In times like this, when the media is consistently negative and the market enters bear territory, it is especially hard to remain optimistic. The best way to find solace is by looking to the past. Though it does not offer any guarantees, it can give an indication of what to expect moving forward.

According to The Vanguard Group, over the past 50 years we have had 10 bear markets, based on the S&P 500 Index. The shortest was from July, 1990 to October, 1990; the longest from March, 2000 to October, 2002 – with an average length of 14 months. The smallest decline was 19.9% and the largest 49.1% – the overall average being 30.4%. The average amount of time it took to recover from the low-point was 12 months.

Bear markets are a normal occurrence – averaging one every five years. Ideally, we would love to be able to participate in the upswings and avoid downturns, but accurately timing the bear market is near-impossible. The safest approach is to remain invested and benefit from the inevitable turnaround. Every bear market in the past eventually gave way to new record highs, and we have no reason to believe this one will be any different.

For those currently drawing or approaching drawing on their investments, this type of market illustrates the benefits of a diversified portfolio. By utilizing bonds, cash, and fixed assets, it helps to stabilize a portfolio and gives us a source to draw from as we wait for stocks to recover.

As always, if you have any questions, please call or email.

Regards,

The PKA Team

Market Update

A quick glimpse at the market for the second quarter and year-to-date:

	<u>Q2</u>	<u>YTD</u>
DOW:	-7.44%	-14.43%
NASDAQ:	+0.61%	-13.55%
S & P 500:	-3.23%	-12.82%

PKA News

We are now sending out a quarterly newsletter to our clients in an effort to keep you updated on what is going on with the markets. We appreciate your feedback. Please contact us if you would like to be removed from this mailing list or if there are topics you wish to see discussed in future newsletters.

What is a Bear Market?

The common definition of a bear market is a decline of approximately 20% or more, taking place over a period of two or more months.