

Buena Vista Investment Management, LLC

Creative Investment Solutions

WHAT TO DO NOW

By Peter Brey, Partner

The market has started the year on a positive note. The S&P 500 is up almost 5%. Volatility has been very low as there has not been one day where the Dow 30 has risen by more than 100 points. In this environment it is easy to get bullish.

From 1982 through 1999 the best stock strategy was to buy stocks and hold on to them. The S&P 500 rose an average of 18% plus each year for 17 years. Maximum returns were amassed by buying good quality stocks or mutual funds and just maintaining these positions.

The returns from 2000 through 2011 have been very modest at best if you continued to just hold your positions. However, if you adopted a more active management style you would have garnered better returns.

So where are we going now? The economy will remain in a slow growth mode. The effect of cutting spending at the federal level has not yet taken place. These reductions will not stimulate the economy. Likewise, the current crises in Europe, is resulting in belt tightening in almost every country. These budget cuts will mean less purchases and less money circulating into the European economy. Asia will also be affected by Europe. All of this austerity will ultimately be bullish for the world economy as financial discipline will prevail.

Thus, there will be a return of volatility. Now is the time to review your portfolio and determine if it is the time to eliminate positions. If your investments do not have dividends, do you project that their growth is dynamic enough to overcome that fact? If you hold financials, is this a good time to reduce your holdings? Dodd-Frank, Volcker Rule and low spreads are still hurting their growth. It might be time to put some money on the sidelines to take advantage of the next downturn!

Starting Friday January 27th on WFHR at 10:30am we will be starting our new radio show "Investment Insights from Buena Vista." Also please go to our website to stay up on our latest thoughts, www.buenavistainv.com

Buena Vista Investment Management LLC
241 3rd St S, Wisconsin Rapids 715-422-0700