

Market Timing

Major Markets struggle to stay above their long-term averages

Being out of the major markets this month has been a good thing. The broad indices have done little to nothing for quite some time now. The major indices we use are sitting at or below their long term moving averages. For some this could prove to be upward resistance, only time will tell. We need to see big volume to sustain a meaningful breakout, and so far strong volume on any consistent basis has been lacking.

I recently had a very familiar conversation with a couple of seasoned Investment Managers, both with over twenty years of experience. Our conversation began with the usual niceties and before long led to market expectations. It always leads to market expectations eventually. Inevitably I find that these discussions become a monologue led by the person with the loudest voice or who can recall a particular statistic the quickest to defend their position and of course their honour.

Invariable it seems, the person making the loudest noise and most assertive market forecasts is the one having the least established risk management discipline. The strong urge to defend their decision to let the market have its way with their client's money charges them with much emotion.

Part of the reading requirements for the CMT is a little book called Investment Psychology Explained written by Martin Pring. One of the book's chapters is dedicated entirely to investing rules. Investment field greats such as Warren Buffet list sets of rules that s/he believes are crucial to investment success. By far the most repeated theme in these rule sets was: "Have your own discipline and stick to it." Or "Establish a plan to maximize objectivity"

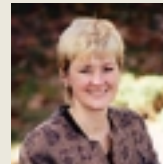
We must continually revisit our own discipline to remind us of the big picture. These revisits will assist in keeping the focus on process first. What flows from this is the best possible outcome in the investment business--better than market returns with less than market risk. **This comes not as a result of making more returns than the market, but by not losing as much when the big declines occur.**

We hope that continuing to further communicate the characteristics of our discipline on a regular basis will enhance client understanding and piece of mind. *P.S. Our method is highlighted currently on the Barclays Iunits National Web site. Check us out at www.iunits.com, heading "VENABLE PARK Method.."*

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