

Ask a Trust Officer

January Market Trends

DEAR TRUST OFFICER:

I've heard that as the market goes in January, so goes the year. Is that right? Are we looking at a down year for 2010?

—TREND SPOTTER

DEAR TREND:

Although there has been some past correlation between market performance in January and the year as a whole, that does not suggest causation. This “rule of thumb” was violated most recently just last year. Yes, the Dow Jones Industrial Average fell 3.5% in January. No, that doesn't mean we're necessarily looking at a down year.

We generally look to economic fundamentals, not short-term market movements, in developing investment strategies. Economic growth was substantial in the final quarter of 2009—can that be sustained into 2010? Has the housing market bottomed yet? What about commercial real estate—could that be the next shoe to drop in the recession?

Another line of inquiry involves interest rates, which remain at historically low levels. Will interest rates rise as the economy recovers? What about inflation? Although prices have remained fairly calm to this point, there is some concern about the future course of the cost of living. Can an investment portfolio be immunized against inflation to some extent?

Sound portfolio planning these days involves much more than rules of thumb.

Do you have a question concerning wealth management or trusts?

Send your inquiry to HeartlandTrust@hbtbank.com.

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