



## A Monthly Brief on Investment Markets and Financial Planning Issues

Editor: J. André Weisbrod, President of STAAR Financial Advisors, Inc.,  
Advisor to  
the STAAR Investment Trust family of no-load mutual funds.

### ACTIVITY ENCOURAGING, BUT A BULL MARKET STILL ISN'T HERE YET

The recent upturns from July lows are encouraging, especially since they have been accompanied by "backing and filling", which produces a saw-tooth kind of a pattern with an upward bias.

If the market can continue this pattern a solid recovery is possible. Right now there is no emphatic sentiment or indicator. The market is still vulnerable and so caution is warranted. However, too much caution can result in missing a strong upturn.

If you have a lot of cash, phasing it in gradually (dollar-cost-averaging) makes sense. If you have been sticking with a long-term asset allocation, you probably want to stay the course. If you are willing to be a bit more aggressive, increase your allocation to stocks by some percentage with which you are comfortable.

For some additional reflections, see my letter to shareholders in the STAAR Funds Semi-Annual Report published 8/31/02. It can be found on our web site, [www.staarfunds.com](http://www.staarfunds.com). Or call us to have a report mailed.

### SEPTEMBER MARKET HISTORY: Is It Really a "Bad" Month?

September is perceived by many to be a volatile and even dangerous month for stocks. Last year, of course, saw the 9/11 terrorist attacks create turmoil in the markets. Indeed, prior Septembers have seen some large downturns and some big upturns. Here are the facts.

Since 1926 September has seen 37 positive returns and 39 negative returns. The three best Septembers returned 16.7% (1939), 8.5% (1954) and 6.4% (1998). The three worst Septembers saw the S&P500 index drop -14% (1937), -12.8% (1930) and -11.2% (1933). The market fell -8.2% in September 2001.

While September and October have reputations for greater volatility, they really haven't been much worse than other months. One can find examples of double-digit ups and downs in most months. Overall, there is no real pattern or predictability for September, October or any other month.

### POSITIVE SIGNS DEPT.

Market peaks often coincide with higher "margin" debt as investors try to leverage greater gains by borrowing money to buy stocks. Also, consumer debt ratios tend to increase as investors borrow more money instead of cashing in investments. In essence, they create their own "margin" accounts. I warned of this back in 1999 and 2000. Brokerage margin accounts peaked in March of 2000. Recent statistics show those debt ratios have been coming down significantly.

### WISDOM DEPT.

"Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria. The time of maximum pessimism is the best time to buy."<sup>1</sup> –Sir John Templeton

### IDEAS WORTH CONSIDERING

*New Reality Shows:* **Punishment Island:** Follow guilty corporate executives to prison and film their daily lives.

**Baseball Survivor:** Multimillionaire owners and players are thrust into ghetto and Appalachian communities with no money, no credit cards and just one change of clothes. Viewers watch them whine over really important things.

### INVESTMENT SCAMS REAR UGLY HEADS

DAVID HO of the *The Associated Press* wrote on Aug. 26:

"Scams involving unscrupulous stockbrokers and financial analysts with conflicting interests are for the first time among the top 10 investment frauds listed by the North American Securities Administrators Association..."

"Con artists know investors are concerned about the volatile stock market," said Joseph Borg, president of the group known as NASAA. "They pitch their scams as offering high returns with no risk - an impossible combination." "

Among the "deals" of which to be wary: High "guaranteed" returns and charitable and "affinity" scams.

### EDUCATION DEPT.

Isn't it interesting that while the economy has slowed and people have to tighten their belts, colleges and universities think nothing of raising tuition 10%. Now we know why it's called "higher education". At a four-year cost of \$125,000 or more for many schools, maybe parents should invest the money in a trust fund, tell the kids to work for 20 years and they might be better off. Invested at 10% per year, the college money would be worth about \$400,000 in 20 years! This sounds cynical, and I do believe in college, but educators need to face up to their own greed and excesses. Their product is in danger of being worth far less than its cost and that is not good for anyone.