

Weekly Commentary March 2, 2009

The Markets

“History does not repeat itself exactly, but behavior does,” according to legendary Wall Street veteran Bob Farrell. *Institutional Investor* magazine ranked Farrell the number one market analyst for 16 years.

Elaborating on Farrell’s quote, the economy is going through another one of its periodic recessions, but this recession is not exactly the same as the last few. Some economists are likening it to The Great Depression, not so much in magnitude, but rather, in terms of its structural characteristics.

While it’s always dangerous to use the phrase, “this time is different,” to justify an investment stance or economic view that is wildly out of kilter with historical perspective (e.g., buying tech stocks in late 1999), there is usually something different every time we have an unusual market event or an economic crunch. Being able to discern what’s truly different from what’s merely an excuse for inappropriate decision-making takes skill and helps separate good investors from great investors.

So, while we can’t count on history repeating itself exactly, Farrell says we can at least count on human behavior remaining the same. And, that makes sense. For example, how easy would it be to change your emotions such as fear, anxiety, greed, desire, hope, or regret? By knowing that behavior doesn’t really change, it’s understandable that we see investors make the same emotion-based mistakes during this bear market as they did in previous bear markets.

How do we overcome this tendency?

For starters, be aware that your emotions can block your ability to make reasoned, rational decisions. With this new awareness, you can process your emotions, separate the “good” information they’re telling you from the “bad,” and, then, make a more informed investment decision.

As your advisor, we do our best to keep our emotions in check and not let them cloud the decisions we make on your behalf.

Returns through 2/27/09	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Dow Jones Industrial Average	-4.1	-19.5	-42.4	-14.0	-7.8	-2.7
NASDAQ Composite	-4.4	-12.6	-39.3	-15.8	-7.5	-5.0
Standard & Poor's 500	-4.5	-18.6	-44.8	-17.2	-8.5	-5.1

Sources: Yahoo! Finance, Barron’s. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. Three-, Five-, and 10-year returns are annualized. Assumes dividends are not reinvested.

IT’S IRONIC that the information and wisdom that’s necessary to help one be a successful investor is so freely available, yet so few people actually use it. One reason why is that during difficult times, those pesky emotions cloud our judgment. As an example of some great

investment wisdom that's freely available, a June 2008 *MarketWatch* article published the following 10 investment rules developed by Bob Farrell over his many decades in the investment business:

1. Markets tend to return to the mean over time.
2. Excesses in one direction will lead to an opposite excess in the other direction.
3. There are no new eras – excesses are never permanent.
4. Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways.
5. The public buys the most at the top and the least at the bottom.
6. Fear and greed are stronger than long-term resolve.
7. Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chip names.
8. Bear markets have three stages: sharp down, reflexive rebound, and a drawn-out fundamental downtrend.
9. When all the experts and forecasts agree, something else is going to happen.
10. Bull markets are more fun than bear markets.

These are good rules to remember especially during these tumultuous times.

Weekly Focus – Think About It

“When dealing with people, remember you are not dealing with creatures of logic, but creatures of emotion.”

-- Dale Carnegie

Best regards,

Jim

Feel free to visit our website at:

www.franklin-group.com

Our Wealth Management users can login under the “Client Center” tab.

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

* Securities offered through MML Investor Services Inc. Member FINRA/SIPC.

*** These views are those of PEAK, and not the presenting Representative or the Representative's Broker/Dealer, and should not be construed as investment advice.**

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

* The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Consult your financial professional before making any investment decision.

* You cannot invest directly in an index.

* Past performance does not guarantee future results. Due to ongoing market volatility, current performance may be more or less than the results shown in this white paper.

* To unsubscribe from the "Weekly Market Commentary", please reply to this e-mail with "Unsubscribe" in the subject line, or write us at Franklin Financial Group, 11350 McCormick Rd. EPIV Ste.200, Hunt Valley, MD 21031.