

# OUTLOOK 2009

## What's Next for the Markets & the Economy

**Mary Ann Bartels**  
**Chief U.S. Market Analyst**

### TRANSCRIPT

Hello, I'm Mary Ann Bartels, Chief U.S. Market Analyst.

On many levels, 2008 was certainly a landmark year. In addition to the ongoing financial crisis and an historic national election, the bear market in equities saw a number of technical indicators fall to levels not seen since the 1930s.

By comparison, 2009 is likely to be more mundane, but investors will probably maintain a conservative approach to the market, as well they should.

We have been making the case that the stock market reversal of October 10th through 13th of 2008 was a capitulation that marked the beginning of a "base-building process."

The formation of a base can often take months to complete. Therefore, it requires patience on the part of investors and will likely involve exciting rallies, followed by multiple tests of market lows. However, patience here could pay off as 2009 progresses.

For those investors who are looking to commit capital to the U.S. equity markets, the conservative sectors that we would focus on are consumer staples, telecom, and utilities. The one cyclical area that we are recommending is energy.

Our expectation is for the S&P 500 to be "range-bound" for much of the coming year. This could involve testing support levels of 740-700. On the upside, the first resistance for the index is 1000-1100 with the market highs possibly even being as high as 1200-1300.

Other recent events could signal that a market recovery is underway and that the worst of the bear market is behind us.

For example, if the S&P 500's September-November decline showed anything, it was the ease with which bear markets responded to bad news and conversely, the difficulty they have in responding to good news.

That appears to be changing. Recently, the indexes have had difficulty holding onto bad-news sell-offs. Such a change in character is often a sign of a pending change in trend. A coming rally could also be global in scope.

Our recent examination of 13 regional and country charts show that they are strikingly similar

in terms of the price and momentum patterns.

Like the U.S., global markets appear positioned for their best rally in many months.

In conclusion, we believe that 2009 will be a year of transition. Volatility could remain high well into the year, but we expect leadership areas, such as mega-cap multinationals, to perform well in 2009.

While the “base-building process” that began last October could take months to play out and will require patience among investors, it also represents a “healing” process that should ultimately provide the foundation for a sustainable bull market.

Thank you.

**Opinions expressed are as of January 2009, and are subject to change.**

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