



The Dow Jones Industrial Average continues to struggle to stay above 10,000. This milestone was first reached in 1998 and, for the last 12 years, has been a psychological barrier that the market has a difficult time staying above. This is not the first time that the Dow has spent over a decade sputtering along. In 1906, the Dow crossed 100 but did not re-cross until 1925. In 1967, the Index crossed 1,000, but did not close above this level until 1972. It wasn't until 1982 that the Dow closed above 1,000 for the last time.

In addition to the psychological round number that these barriers have in common, they all first hit their targets at the end of long secular bull markets. There is no doubt that at the market peak in 2000, the stock market was greatly overvalued; there is also no doubt that today the market is undervalued. The following table looks at a few well-known companies in the Dow and how their earnings and dividends compare today versus 12 years earlier when the Dow was at the same level:

	Earnings (\$)			Dividends (\$)		
	1998	2010	% Change	1998	2010	% Change
<b>IBM</b>	3.12	10.28	229%	0.43	2.30	435%
<b>Microsoft</b>	0.50	1.95	290%	0.00	0.52	n/a
<b>Coca-Cola</b>	1.64	3.20	95%	0.60	1.70	183%
<b>United Technologies</b>	1.14	4.87	327%	0.35	1.66	374%
<b>Johnson &amp; Johnson</b>	1.28	4.66	264%	0.49	2.01	310%
<b>Procter &amp; Gamble</b>	1.32	4.18	217%	0.54	1.84	241%
<b>Wal-Mart</b>	0.88	3.77	328%	0.16	1.18	638%

It is common during long secular Bear Markets for investors to question the value and prudence of owning equities. In August 1979, BusinessWeek published a cover story titled "Death of Equities". The article laid out the argument that investors would not return to stocks as there were better alternatives in Gold and Diamonds. The article lamented how the baby boom generation was not investing in stocks, but were choosing alternative asset classes. Further, it explored how, in the future, equities would take a back seat as younger investors avoided stocks and the elderly would eventually have to sell those stocks they had been holding.

Of course, this article was published within three years of the start of the greatest bull market for stocks in history. What the article failed to recognize is that stocks are valued in the long-run by the intrinsic value of each company. Peter Lynch, the famed investor from Fidelity, has argued that the only thing that matters is the sustainability of earnings and revenues from companies and not the latest economic data.

Investors are currently caught up with the prospect of the economy slowing and perhaps entering a "double-dip" recession. For many companies, a slowdown of the economy will have a negligible impact on their business. The companies that have shown the ability to grow their earnings and have distributed their higher earnings to shareholders in

the form of dividends will eventually be recognized by the market and their share prices will rise.

It is the tradition of stock exchanges to ring a bell to signal the opening of trading for that day. A bell will not ring when the next inevitable bull market begins. However, it is certain that owning great companies, at very reasonable prices, will be greatly rewarded when the bull market does come. With price-to-earnings ratios at multi-decade lows and dividend yields at multi-decade highs, we expect the bull market is nearer than most. Eventually, the focus will turn away from the next economic report and onto the terrific earnings that companies are generating. In the meantime, dividends are an important aspect of equity returns and the dividend-payers will hold their value in these volatile times.

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