

"Understanding Market Psychology"
By Leo Abel, September, 2011

It is my hope this letter finds you doing well after what has been a very hot summer. I've written this note in order to give you my thoughts about the recent volatility in the stock market. No attempt is made here to explain how or when the current economic and political situations will resolve themselves, but rather what I believe great investors should be doing now and why.

Based on an intense study of market history, it is my deeply held belief we are in the midst of a period of maximum opportunity for the patient owner and buyer of shares in the great companies in America and in the world.

Please don't mistake this statement as calling a market bottom. I've been around capital markets long enough to know that psychology can bring prices to levels far exceeding any reasonable level in up markets (*Ex. NASDAQ 1998, Residential real estate 2005, Gold 2011*) and the converse is true in down markets. While extreme valuations are indicative of opportunity when prices are low and reason for caution when prices are high, they should not be thought of as timing devices.

What I'm saying is that tremendous value is out there to be taken advantage of precisely because of the fear and pessimism so pervasive today and that when the "**All Clear**" is signaled, it will be accompanied by materially higher prices. We have been urging investors to add aggressively to equity positions over the past month where suitable.

Again, we counsel our clients to commit this capital not based on a speculation that markets have bottomed or that they will move in a straight line upward from here. Rather, we encourage increased equity holdings because it makes good business sense to take advantage of what will very likely be viewed as a good buy with the benefit of hindsight in the future.

You may be interested in an article by our good friend Nick Murray entitled, *Fear Is Your Friend*. Please email me directly at Leo.Abel@RaymondJames.com if you would like to see this article.

I'd love to discuss not only the article, but more importantly how we may help you take advantage of the opportunities being presented today which will move you in the direction of your financial goals.

Thanks for reading.

Sincerely,

Leo Abel

leo.abel@raymondjames.com

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Securities and investment advisory services offered through:

Raymond James Financial Services, Inc., Member FINRA/SIPC

9270 Siegen Lane, Suite 301

Baton Rouge, LA 70810

225-408-4000

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