

February 2013

**DOW 14000. S&P 1500.  
BUY, SELL OR HOLD? ANSWER: YES****by Kamyar Kashfi**

Let's forget for one minute how the stock market got to where it is today. Let's not discuss the fundamental and technical improvements that have materialized in equity markets. Now that we are here, hopefully we had many of those discussions earlier. The S&P 500 Index and Dow Jones Industrial Average are now near historic levels. This is no small feat considering the enormity of obstacles they have faced over the past 5 years. As investor appetite has increased and the money is pouring in again, let's make some practical decisions.<sup>1</sup> Let's review our holdings, remember why we bought them and most importantly, act!

Considering the fact that General Electric is the only original Dow 30 member still in the index, I believe it is clear that every investment is not created equal. In fact, most of the stocks in the Dow Jones Industrial Average are no longer "industrial companies".<sup>2</sup> The point is that things change, markets change and companies change. To be successful, investors must make changes. Buy and hold can and does work, but not with every single investment and not necessarily forever even when it does. General Electric, despite its longevity in the Dow 30 is currently more than 50% below its all time high, despite the index's gains, because it morphed from an industrial giant into a financial services company. The financial meltdown in 2008 and 2009 had devastating consequences on GE stock. It is possible that GE may not ever fully recover. On the other hand, perhaps now it is time to buy. The same can be said for many companies, depending on your specific situation.

Not every company is a "General Electric". Look through a list of "all time highs" today and you may find companies who have been managed more successfully and have enjoyed greater participation in the equity market's rally. Will that success continue? Will perceptions change (Apple Inc. comes to mind)?

Other companies may be on the cusp of a turnaround. It occurs to me that depending on what stage a company is in, one might want to either buy, sell or hold. Buy, sell and hold situations may exist concurrently in your portfolio despite the record levels of the S&P 500 Index or the Dow Jones Industrial Average. Hopefully, all of your stocks are at all time highs and are still on the way up to reaching their full potential. Hopefully you are not holding on too long to companies that are not or may not ever perform. History shows things change.

At the very minimum, let's make some time to review. Why do we own something? Why did we originally buy it? What is the goal? What has changed? In my experience, it is not uncommon for an investor to find himself or herself unable to answer these questions. It is far easier to lose money than it is to make it. If you are going to take the risk, make sure it is for the right reasons. Call me to review.

<sup>1</sup> <http://www.bloomberg.com/news/2013-02-01/u-s-mutual-funds-reaping-record-deposits-as-markets-rise.html>

<sup>2</sup> [http://en.wikipedia.org/wiki/Dow\\_Jones\\_Industrial\\_Average](http://en.wikipedia.org/wiki/Dow_Jones_Industrial_Average)

**BROKER SPOTLIGHT**

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