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# INVESTING INSIGHTS®
VOLUME 10 | 2009
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The stock market rally has had quite a run, being led higher by high-beta, small-cap value stocks. A look at what's driving it, and which strategies to consider next.
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**Commercial Real Estate: Rocky Road Ahead Favors REITs**
Although defaults on commercial property loans are rising, real estate investment trusts appear to be well positioned as the economy recovers.
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**Video Market Snapshot:** Watch Liz Ann Sonders' monthly market analysis video at schwab.com/marketsnapshot.

**Further reading:** Read the online version of this article at schwab.com/marketinsight for investment implications of the trends discussed within—for both equities and fixed income.

ON STRATEGY

## What the Dollar and Gold Are Telling Us

**A weak dollar and surging gold might not mean what you think.**

by Liz Ann Sonders
Senior Vice President, Chief Investment Strategist, Charles Schwab & Co., Inc.
October 19, 2009

Most questions I've been hearing at client events and through other channels, interestingly, have a dominant theme: weakness in the dollar, strength in gold, rising government debt—and what they all say (or don't say) about inflation.

### Oil no longer to be priced in U.S. dollars?

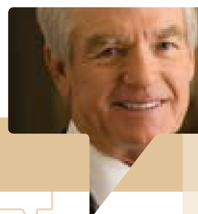
Heightened media attention on the dollar's 14-month low (against a basket of six major currencies) is a key culprit behind the rash of questions we've been getting. The dollar's downward momentum has only been exacerbated by rumors such as the one, since discredited, that Arab oil sheiks were conspiring with Russia and China to cease using the dollar to set the value of oil. Such rumors serve to highlight not only the global mood of concern about America's currency, but also today's fast-moving information flow and loads of money-chasing momentum—the real culprits behind the dollar's weakness and gold's strength, in our opinion.

This new downside momentum for the dollar comes on the heels of a period from late last year into early this year when the dollar benefitted greatly from a flight to the relative safety of U.S. Treasuries and other dollar assets. In the heat of the crisis, the dollar was seen as less-risky than other investments. But we believe the key to renewed weakness is the massive ebbing of global risk aversion since the crisis' heyday. Bottom line: The risk calculus has reversed and nondollar investments have been much more rewarding, while holding the dollar has become a performance drag.

### "Dollar strength is in our best interest" is rhetorical

The weak dollar is seen as a virtue to some—and it's assumed that's the view of the Obama administration and its Treasury Department. The current administration (and the two that preceded it) publicly suggests that it favors a strong dollar, but all indications are that it's willing to quietly tolerate its fall, if not cheer it.

The pro-dollar weakness case rests on the aid it provides to U.S. exports, the trade deficit and related manufacturing job growth. **(Continued on p. 2)**



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**ON STRATEGY,** *continued from page 1*

# What the Dollar and Gold Are Telling Us

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It could also help achieve the long-sought rebalancing of the global economy—with the United States exporting more and others (notably China) importing more. Unless the dollar's weakness turns into a confidence-shattering crash (oft-predicted but not a view we hold), it's likely the key players will continue down this quiet tolerance path.

**Dollar weakness: good now, bad later?**
Regardless of the short-term benefits that accrue from a weaker dollar, we mustn't forget the perils of a weak currency in the long term. Economist David Malpass argued in a recent *Wall Street Journal* op-ed that capital flows dwarf trade flows as a source of wealth creation. The only way to build wealth and create more high-paying jobs over time is through productivity gains that come from greater investment and innovation.

As the dollar falls and capital flees the United States for other countries, global competitors reap its benefits and become more productive and relatively more prosperous—the most significant problem a weaker dollar brings in the long term.

We share these concerns, along with those about our burgeoning public sector deficit. History shows we can run lofty deficits for some time before the cart tips, but market and investor tolerance won't last forever.

If the bond market specifically, and investors generally, see a credible deficit-reduction plan aided by strong economic growth, a dollar crisis can likely be avoided. However, without that plan, doomsayers could be proven right. Shorter-term, we believe that the recent weakening of the dollar is a sign that markets are normalizing after the flight-to-safety trade that dominated the crisis period.

The dollar has also found a new role, overtaking the Japanese yen, as the funding currency in the "carry trade," whereby investors borrow in low-rate dollars, subsequently selling them to invest in higher-return investments elsewhere.

As long as the dollar's longer-term decline remains contained and steady, there are positive aspects to a path toward multiple reserve currencies versus the dollar as the sole monetary standard. The role of the dollar as the dominant international currency drove large U.S. trade and current account deficits, which have only recently begun to improve.

In fact, the huge related inflows of foreign capital turned out to be a primary cause of the recent financial crisis as they contributed to low interest rates, loose monetary policy and excessive liquidity (not to mention the role of questionable regulatory oversight). These conspired to cause investors to ramp up leverage and vastly under-price risk … and we know where that led us.

Indeed, a sudden halt by our creditors to support our debt (unlikely, as it would aim the gun squarely at their own economic feet) would weaken the dollar further, push rates and inflation higher, and weaken the economy yet again. But a sudden halt isn't in the cards. According to the International Monetary Fund, about 65% of the world's reserves are in dollars and about 25% are in euros. In the early part of this decade, the dollar represented more than 70% while the euro was less than 20%.

There's a diversification shift under way that has accelerated recently, but it's generally occurring slowly. Ultimately, it's a proper shift: A global monetary system that rests on a single country's currency is not ideal.

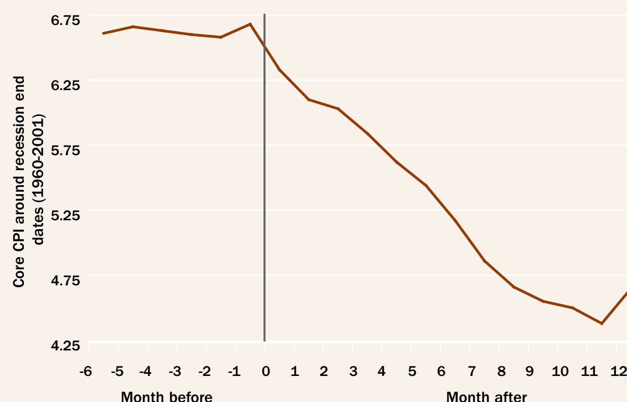
**China's not going anywhere for now**
For those fearing a Chinese retreat from the dollar, the country has actually increased its dollar holdings, thus preventing its currency from rising and keeping its export industries humming even in the face of the weakened U.S. economy. This might change, but a crisis is unlikely until China becomes less dependent on its U.S. exports. It will likely play out over a period of years (not months), and will depend on both economic and cultural changes allowing China's savings-obsessed consumers to become greater global consumers.

We know it's equally problematic if foreign investors do finance our debt for an extended period. This might be why there's growing tolerance for a less prominent role for the U.S. dollar in the global economy. Many now believe that the huge capital flows that necessarily accompany deficits and currency dominance might no longer be in our country's best interest.

**Inflation bogeyman not as scary as he looks**
There's a growing concern about a major inflationary threat posed by our burgeoning deficit, very easy monetary accommodation, and weakening dollar—further highlighted by the sharp rally in the price of gold.

We remain in the camp that there's no imminent price inflation risk on the horizon, largely thanks to the pressure that remains on wages and unit labor costs (due to weak labor demand), a historically low capacity utilization rate, diminutive lending by financial institutions and benign market-based indications of inflation risk. Treasury Inflation-Protected Securities are telling us inflation will be less than 2% for the next 10 years.

**Inflation Generally Falls as Economy Recovers**




Source: FactSet, U.S. Department of Labor. Core Consumer Price Index based on year-over-year percentage change.

Many folks with whom I've spoken assume that the budding economic recovery is also inherently inflationary. This is not the case, as the chart on page 2 shows. Historically, inflation tends to fall for a full year after recessions have ended.

Another sign that inflation risk is low is the velocity of money argument—one we've used a lot to express our views. Indeed, money creation has surged during the past year, but there are no signs of inflation … meaning a lot of this excess money is going to shore up banks' capital bases and/or fuel asset price inflation (gold, stocks, etc.).

Velocity of money is also referred to as the money multiplier. Mathematically, the money multiplier equals M2 money supply divided by the monetary base. Generically, it's the amount of money getting from the banking system into the economy. Until the velocity of money begins to accelerate, inflation is unlikely.

We can keep putting gas in the tank, but if there's a leak in the bottom, it won't help the car run. Our bottom line remains that inflation is not a near-term risk, though it remains a longer-term concern if deficits aren't reined in.

**But what about gold's dramatic ascent?**

Finally, many are pointing to gold trading at more than $1,057 an ounce as a harbinger of inflation. Where were they four years ago when gold was half its current price? In contrast to conventional wisdom, gold is a dubious indicator of inflation. Historically, gold prices have risen in both inflationary and deflationary periods.

The first gold bull market occurred during the mid-1930s, when gold was revalued upward by 70%—during a highly deflationary period. The second gold bull market started in 1971, when the dollar was de-pegged to gold, causing gold prices to soar—during an inflationary period. The third gold bull market started in 2001 and has so far lasted for nine years. During this period, the world economy has been confronted with periodic deflation threats, first with the tech bubble bust and more recently with the financial crisis and attending recession.

The only factor that can consistently explain gold price moves is the speed of fiat money creation. Dollar-based liquidity, a measure of global money creation, has had a strong influence on the direction of gold prices since the 1980s. If money creation can't lift general inflation, excess money must find its way to asset markets, lifting asset prices.

Recently, gold has represented a proxy for risk. If you're jumping on the gold bandwagon, be mindful of the possibility that gold could turn negative once (if?) the world economy rebounds strongly and central banks are ready to tighten monetary policy.

**Conclusion**

Like the rebound in global stock markets, the adjustment to massive global monetary stimulus has been quick and sharp, but maintaining this rate of change is likely unsustainable. It's likely that the stock market and the dollar will take a breather at some point.

The move in the dollar, in particular, has taken on momentum-type characteristics and is a "crowded trade," with overwhelmingly bearish sentiment (a contrarian indicator). As we saw with crude oil in 2008 (and as we warned then), these types of moves tend to overshoot and then reset.

Factors that could provide a short-term countertrend lift to the dollar include:

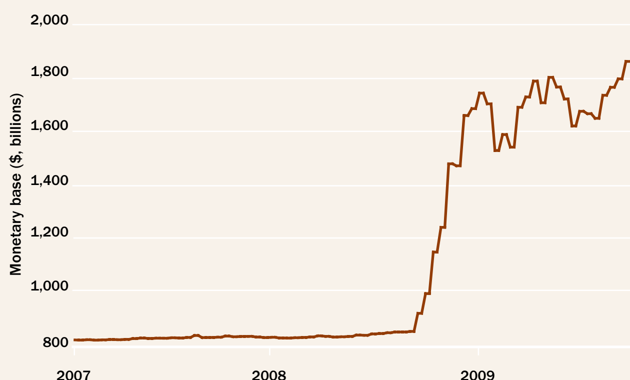
- Moves by foreign governments to weaken their currencies in an effort to boost their own exports.
- Any change in expectations for Federal Reserve policy that would imply a sooner-than-expected interest rate hike.
- Any change in posturing by the Obama administration with regard to dollar policy.

There's been a dramatic rise in the amount of capital moving in the world—all of it in search of the highest returns. The dollar, gold, equities (domestic and emerging market) and Treasuries are all partaking of the same surge in global liquidity.

Investors of every ilk have a tendency to focus on short-term gains over long-term discipline. And, of course, information flow is instantaneous today, fueling not only a herd mentality, but establishing the preconditions for the era of bubbles in which we reside presently. Beware of the herd. | INSIGHTS |

*See page 7 for important disclosures.*

**Monetary Base Up Dramatically, But Velocity of Money Remains Impaired**



Sources: FactSet, Federal Reserve, as of October 9, 2009.

ON STOCKS

# What's Up With This Market?

**A look at what's driving this market—and which strategies to consider next.**

by John Wightkin, Director of Equity Research Applications,
Schwab Center for Financial Research
October 13, 2009

As the old Wall Street saying goes, the market will do whatever it must to fool the majority. This has never been truer than it is this year. Right when it looked like the stock market was going into a free fall, it reversed course and hasn't looked back. Since March 9, which some experts are calling the market bottom, many market indexes have surged more than 50%.

With this behind us, there are many questions. What should you do now? Should you restructure your portfolio? How? Should you stay invested in the market at all?

To gain a perspective into these questions, we took a unique look behind the numbers to see what has driven this market rebound and whether these factors can persist going forward. With these insights, you can get a better understanding of what's happening to your portfolio. Equally important, you can decide what to do next.

**Drivers of this rally**

So, what's been driving this rally? Is it growth or value stocks? Small- or large-cap stocks, or perhaps momentum stocks? Or has it been a combination of these different stock categories?

One way to find out is to look at market returns. We divided the market into different groups based on a specific investment strategy and then examined the performance of each of these groups.

For example, let's say we want to see if investors are buying value stocks (for example, stocks with the lowest price-earnings (P/E) ratio).

By dividing the market into 10 groups based on P/E, we can compare the returns of the stocks in the lowest P/E group (this could be your buy list) with the overall market average. If this lowest P/E group outperforms the market return, we can infer that investors prefer value stocks.

For our analysis, we investigated four investment strategies that many investors believe influence stock returns. The table below highlights these strategies and the measures we used to define each of them.

**Investment Strategies and Their Explanatory Factors**

| Investment strategy | Factor |
|---|---|
| Risk | Beta |
| Size | Market capitalization |
| Value | Price/book |
| Momentum | 12-month price momentum |

Source: Schwab Center for Financial Research.

To dissect this market's rally, we broke our research universe—the top 1,500 stocks based on market capitalization—into 10 groups (deciles) of 150 stocks each, based on the month-end value for each of the factors mentioned in the table.

For example, for the risk strategy, we sorted the 1,500 stocks by beta, a measure of the volatility of a particular stock compared with the broader stock market. We then put the 150 stocks with the smallest beta into decile 1. The next 150 stocks ranked by beta were put into decile 2. We continued this process until all 1,500 stocks were put into one of the 10 beta groupings.

We then calculated the following month's return for each stock and averaged these returns within each group. The excess return is the difference between the group's average return and the average stock return in our universe. We conducted this test monthly from January 1990 through September 2009.

To evaluate each strategy's performance during this rally, we focused on the group of stocks that represents the most extreme values.

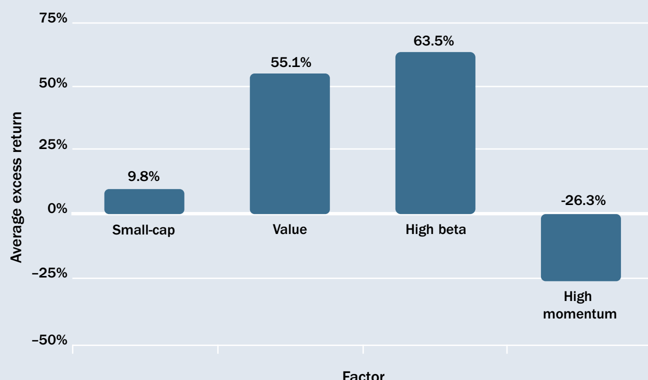
For example, to measure investors' appetite for risk, we examined the returns to the 10th decile from our beta sort which contains the highest-beta stocks. The chart below shows the cumulative excess returns for each of the investment strategies from March through September of this year (about the length of this rally).

**The results**

Here's what we found (shown in the chart below):

- You can immediately see that the high-beta stocks significantly outperformed the market, indicating investors' preference for riskier stocks during this rally.
- Also revealing is the large relative outperformance of value stocks during this rally, as the stocks with the lowest price-book (P/B) ratio earned close to 55% more, cumulatively, than the average stock return.
- You might also notice the large relative underperformance turned in by the stocks with the best performance during the past 12 months (the high-momentum stocks). Prior to the March rebound, stocks that performed best (relatively) during the correction have underperformed significantly since.
- Finally, small-cap stocks had a slight relative underperformance.

**Cumulative Excess Return for Four Investment Strategies**




Source: Schwab Center for Financial Research, top 1,500 stocks by market capitalization, March 2009 – September 2009.

**Putting returns into a historical context**

So this rally has been led by high-beta, small-cap value stocks. Surprised? Maybe not, as many market strategists have made similar comments about this rally. What might come as a surprise, however, are the magnitudes of these returns. For this perspective, we looked over the past 20 years (to December 1989) for similar seven-month cumulative returns.

At each month-end, we calculate the cumulative excess returns for the previous seven months. We chose seven because it is the duration of the current market rebound. We then counted the number of times each investment strategy had a seven-month cumulative return equal to or greater than the returns from this rally. (For the momentum strategy, we counted the instances where the seven-month cumulative return was less than or equal to the current return.)

The table below displays these results. Surprised now? You should be. These results show just how extreme the current returns are. In fact, the current average return for the value strategy has never been this extreme. The next closest returns were in 2001 when the most undervalued stocks had an excess cumulative return of close to 28%, about half of today's cumulative return.

The highest-beta stocks had only one other occasion with similar returns—right before the internet bubble popped. We all know what happened to these stocks afterward.

The small-cap outperformance has occurred several times in the past, mostly during the economic recovery in 2002.

Finally, the magnitude of the recent sell-off of the stocks with the highest price momentum has only occurred twice before, both right after the internet bubble popped and investors aggressively sold all the recent winners.

**Number of Periods With Similar Returns, 1990–2009**

| Factor | Number of past times with similar excess returns |
|---|---|
| Small-cap | 8 |
| Value | 0 |
| High beta | 1 |
| High momentum | 2 |

Source: Schwab Center for Financial Research.

**Moving ahead**

How might these insights help you going forward? As we've shown, rarely have there been returns like these in the past. Knowing this, we believe that it's highly improbable that the stock market continues to rally on the backs of these current drivers. Should no other factors take over (e.g. high-earnings growth or large-cap stocks), this rally might run into difficult times ahead.

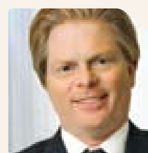
From a portfolio standpoint, this might be a good time to sell some of your winners, especially the higher-beta stocks, and move into less-risky, higher-quality stocks. Keep in mind, stocks could continue to go higher, bucking historical precedent.

With any new purchases, you might want to lean toward the lower-beta stocks that have done the best during the past 12 months. Schwab's Stock Screener can help you screen for these types of stocks. To find it, log in to Schwab.com and go to Research > Stocks, where you'll find several links to the Stock Screener.

Schwab Equity Ratings can also help with the rebalancing. Consider selling your best-performing D-rated and F-rated stocks and buying A-rated stocks with low betas. Again, the Stock Screener can help you find these opportunities. | INSIGHTS |

*See page 7 for important disclosures.*

ON REAL ESTATE



## Commercial Real Estate: Rocky Road Ahead Favors REITs

**Real estate investment trusts appear to be well positioned.**

by Daniel O'Connor, Managing Director, Global Real Estate Forecasting, Charles Schwab Investment Management, Inc.

October 13, 2009

While foreclosed home loans have dominated the headlines for much of what has been dubbed the "Great Recession," another kind of real estate debt is increasingly in the news. A growing legion of commentators has singled out **commercial real estate loans** as the second shoe to drop.

I see the fears as genuine and not just media hype. Defaults on commercial property loans appear set to increase. That said, real estate investment trusts (REITs) appear well-positioned to take advantage of attractive opportunities as the economy recovers.

Commercial real estate typically includes office buildings, warehouses, shopping centers, apartments and hotels. As with home loans, the finance of commercial real estate has been part of the deleveraging process following the credit crunch—consumers and businesses are paying down loans and cutting back on borrowing and spending, and bad debts are winding their way through the financial system.

One of the most visible manifestations of troubled commercial real estate loans is the growing number of bank failures. Ninety-five financial institutions have been shuttered so far this year by the Federal Deposit Insurance Corporation (FDIC). Compare this with 30 failures last year, and a paltry three in 2007.

FDIC head Sheila Bair recently noted that she expects commercial loans to be a driving force for failures among the more than 400 banks the agency is closely monitoring. Small and mid-sized banks, where the volume of commercial real estate debt outstanding is proportionally two to three times greater than in the nation's largest banks, may be especially vulnerable.

**The scope of the problem**

The causes of problem commercial loans—aggressive lending practices, falling property values and the recession—broadly parallel those in residential real estate. Many investment properties were financed at loan-to-value ratios of effectively 90% or more, and, equally important, with rosy assumptions about how rental rates would grow.

The recession has greatly enhanced the "performance risk" of commercial loans, in that the rental income from a growing number of properties can no longer support the debt payments.

Again, banks (particularly regional banks) may be especially vulnerable

because they're a primary source of construction loans, and many recently developed properties no longer break even in the new economic environment.

Declining property values are another primary cause for rising loan delinquencies. According to Moody's/REAL Commercial Property Price indexes, investment property values in the United States have declined 39% since peaking in late 2007. In my opinion, values will likely tick down a few more percentage points before beginning to stabilize.

This matters because many investment property loans are underwritten for comparatively short terms and include options that allow borrowers to extend the loan, subject to certain conditions. With the unanticipated, precipitous decline in property values, a growing number of loans simply no longer meet the original terms for extension—this is known as "refinance risk."

How big is the potential problem? Currently, there's almost $3.5 trillion of investment property mortgage debt in the United States.

And, while there are numerous individual lenders, just four broad sources of lending account for 90% of this outstanding mortgage debt (see the table below). One of these sources, banks and thrifts, accounts for fully half the total.

Of the aggregate debt outstanding, approximately $250–$300 billion is scheduled to come due each year for the foreseeable future.

**Commercial Mortgage Debt Outstanding**

| Lending source | Debt outstanding, in billions | Percent of total | Percent of delinquent debt |
|---|---|---|---|
| Banks and thrifts | $1,747 | 50.4% | 2.9% |
| Asset-backed securities | $714 | 20.6% | 3.9% |
| Government agencies | $352 | 10.1% | 0.5% |
| Life insurance companies | $313 | 9.0% | 0.2% |
| All others | $341 | 9.9% | n/a |
| **Total** | **$3,467** | **100%** | **n/a** |

Source: Mortgage Bankers Association, "Commercial/Multifamily Mortgage Debt Outstanding—Second Quarter 2009." Definitions of delinquent debt vary across loan sources and are therefore not strictly comparable.

Which lending source is experiencing the greatest difficulty? The question is not clear cut, because loan delinquency data are not reported the same way.

For example, while the table indicates that asset-backed securities—which include commercial mortgage-backed securities (CMBS) and collateralized debt obligations (CDOs)—have the highest percentage of nonperforming loans, the calculus for this sector is the most inclusive, which inflates its delinquency rate compared with other lenders. Still, "asset-backs" have experienced a **ten-fold** increase in delinquent debt since late 2007.

### Current "crisis" does not rival past downturns—yet

Additional commercial loan defaults and modifications (known as "workouts") appear inevitable, along with more bank failures. However, comparing the situation with the single-family sector and past downturns provides some perspective.

According to the Mortgage Bankers Association, home loan delinquencies and defaults nationwide exceeded 13% in the second quarter, which not only dwarfs investment property delinquency, but is the highest number on record.

Looking at bank failures, the 95 so far this year hardly compares to the near 1,400 U.S. banks and thrifts that closed during the three years from 1988 through 1990, as well as the thousands of U.S. banks that failed at the outset of the Great Depression (wiping out the savings of many households) before institutions like the FDIC even existed.

### Impact depends on your investment

How does the rocky outlook for commercial property loans affect real estate investors? That depends on the type of real estate investments you hold.

If you invest directly in property, you probably already know the answer: Lending standards have tightened dramatically across several dimensions.

- One-third down (give or take) is the new paradigm.
- Non-recourse mortgages (meaning that the property alone is collateral for the loan) are much scarcer.
- You must fully document your possessions and obligations.
- Large properties are more difficult to finance than at any time in recent memory, all else being equal.

Those who invest in property indirectly via REITs and other publicly traded property companies face different realities and potential.

Past investors in REITs have been adversely impacted by deleveraging in three important ways.

- First, a number of REITs and public companies found themselves highly leveraged by historical standards as share prices fell and markets began to turn south.
- Second, when the sharp economic contraction finally arrived in the latter half of 2008, operating income shrank as rents declined and properties were vacated.
- Third, because public markets are forward-looking, REIT share prices peaked as long ago as April 2007, well before the magnitude of the looming meltdown appeared on most investors' radar screens.

### Why REITs may now have an inherent advantage

But I believe that the discipline imposed on REITs by public markets are now tailwinds. REITs have been forced to streamline their operations, prune undesirable properties and aggressively resolve debt-related issues.

Furthermore, REITs historically have employed less than 50% leverage, modest by real estate standards. While this was a distinct handicap during the boom years—when highly leveraged private firms could (and often did) bid up property prices—the ability of REITs to access and employ extensive equity is now a potentially huge advantage.

To be sure, until real estate markets stabilize, REITs won't be out of the woods. In addition, some property companies (both here and abroad) that borrowed aggressively will likely fail. Finally, share prices will likely remain much more volatile than in the past.

Despite these concerns, in my view, REITs are well positioned to capitalize on attractive opportunities, including troubled-loan properties, as the economy stabilizes in a "new normal." | INSIGHTS |

*See page 7 for important disclosures.*

## Important Disclosures:

The information provided here is for general informational purposes only and should not be considered an individualized recommendation or personalized investment advice. The investment strategies mentioned here may not be suitable for everyone. Each investor needs to review an investment strategy for his or her own particular situation before making any investment decision.

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**On Strategy (pages 1-3):** (1009-11086)

**On Stocks (pages 4-5):** (1009-10468)

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**On Real Estate (pages 5-6):** (1009-10474)

Risks of the REITs are similar to those associated with direct ownership of real estate, such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand, and the management skill and creditworthiness of the issuer.

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**Liz Ann Sonders on the economy:**

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October 19, 2009

Most questions I've been hearing at client events and through other channels, interestingly, have a dominant theme: weakness in the dollar, strength in gold, rising government debt—and what they all say (or don't say) about inflation.

**Oil no longer to be priced in U.S. dollars?**

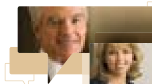
Heightened media attention on the dollar's 14-month low (against a basket of six major currencies) is a key culprit behind the rash of questions we've been getting. The dollar's downward momentum has only been exacerbated by rumors such as the one, since discredited, that Arab oil sheiks were conspiring with Russia and China to cease using the dollar to set the value of oil. Such rumors serve to highlight not only the global mood of concern about America's currency, but also today's fast-moving information flow and loads of money-chasing momentum—the real culprits behind the dollar's weakness and gold's strength, in our opinion.

This new downside momentum for the dollar comes on the heels of a period from late last year into early this year when the dollar benefitted greatly from a flight to the relative safety of U.S. Treasuries and other dollar assets. In the heat of the crisis, the dollar was seen as less-risky than other investments. But we believe the key to renewed weakness is the massive ebbing of global risk aversion since the crisis' heyday. Bottom line: The risk calculus has reversed and nondollar investments have been much more rewarding, while holding the dollar has become a performance drag.

**"Dollar strength is in our best interest" is rhetorical**

The weak dollar is seen as a virtue to some—and it's assumed that's the view of the Obama administration and its Treasury Department. The current administration (and the two that preceded it) publicly suggests that it favors a strong dollar, but all indications are that it's willing to quietly tolerate its fall, if not cheer it.

The pro-dollar weakness case rests on the aid it provides to U.S. exports, the trade deficit and related manufacturing job growth. **(Continued on p. 2)**



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## In this October issue:

- Questions abound about U.S. dollar weakness and strength in gold as inflation signals. Liz Ann Sonders explains why we believe momentum-chasing is the primary driver of a lot of what's working in the markets.
- The stock market rally has had quite a run since March, being led higher by high-beta, small-cap value stocks. A look at what this might mean going forward and some strategies for stock investors to consider next.
- While foreclosed home loans have dominated the headlines, an increase in commercial property loan defaults appears inevitable. We explore the scope of the problem and who's affected most. Plus, information for investors who own or are considering REITs.