

Showtime

Today, Ben Bernanke emerges from the shadows; he comes on stage front and center. The newest Federal Reserve Chief chairs his first Federal Open Market Committee meeting. As the world waits, anticipation is high. Will he raise rates, almost a given, to 4 ¾%? More important, will he give an indication of what's to come? The markets will listen, analyze, and dissect every word for some hint of the Fed's intentions. Why so important? Because rising interest rates ultimately affect economies. It could mean lower corporate profits and consequently lower stock prices.

So far, the markets have shrugged off rising rates, ignored the higher oil and gas prices, and laughed at those in cash (yours truly included).

I believe that between now and the end of 2007, this market will achieve heights that no one could imagine. Since 1914, if you look at the historical average rate of return from the lowest point in a midterm election year to the highest point the following year, it's been 49.9%.* That's an impressive statistic.

The only question I'm asking is from what level the run begins. From where we are now, or from a point that is considerably lower. That is the \$64,000 question. A piece of the answer may be gleaned this week when Bernanke comes on stage. It's Showtime.

Till next time,

Bill

*(*Stock Trader's Almanac)*

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