

# 12,000 It Can't Be . . . Can It?



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How in the world did we ever get to 12,000 on the Dow Jones Industrial Average with all the problems we went through and continue to face? “They” told us the recession has ended, but for many of us it sure does not feel like it. Many changes are happening in Washington which have many of us worried.

To answer the question at hand, let us reflect on the basics. When problems occur in the business world or in our own lives, we review the situation and look at our options to solve the problem. We come up with a solution based on all the available information and then make the necessary changes to implement our strategy to solve the problem. Our final step in this process is to continue to review our progress and make additional changes as needed to stay on course.

Most corporations were impacted severely by the recession. When the automotive industry went through its terrible time in 2008 and two of the “Big Three” filed for bankruptcy protection, it was the end of the world as the autos knew it. The banks and insurance companies have had their fair share of issues as well. Everyone in the business world reviewed the true meaning of cash on their balance sheet and current ratio and were forced to get back to basics. Companies have been clinging to cash like a life raft and have had to take steps to reinvent themselves. They held off on new ventures and got back to their core business and

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returned to profitability. So when the recession ended, they emerged as healthier and leaner companies. Even without hiring and flat sales, they have increased the earnings for shareholders in many industries because of healthier balance sheets. So our American companies have gone through extreme financial makeovers before our very eyes over the last 24 months.

This is what has taken us to 12,000 in the stock market! How easily we forget that that the stock market is a reflection on investors' expectations on companies' future earnings. I am a parent and those that have children love their children and have faith in their children. Just as I have faith in my children as the future for America, I also have faith in the ability of our American companies to solve their problems and continue to return to profitability.

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