



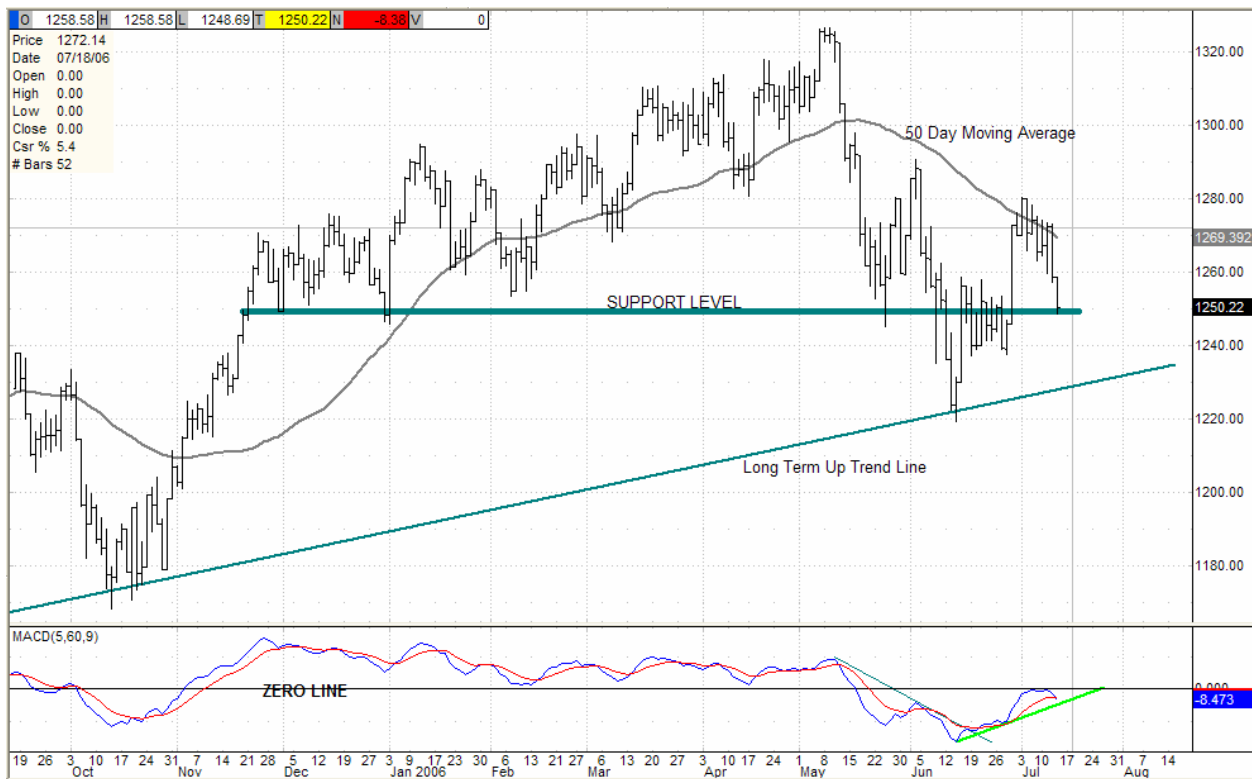
## Market Insights

By Peter Mauthe

The graph below illustrates the S&P 500 Index daily with 50 day moving average. Shown at the bottom of the graph is one of our technical indicators that help us identify trends and trend turning points.

The most important thing about this view of the stock market is that the recent decline ended at the Long Term Up Trend Line. This is important since it suggests that the selling we saw in May and June was likely a correction in an uptrend rather than the beginning of a significant (greater than 20%) decline.

After raising cash in our portfolios several months ago, we have begun to increase our invested position since our models and indicators indicate the risk of investing now is much less than it was prior to May. The recent advance off of the low took the S&P 500 up to the area of its 50 day moving average. It is common for the 50 Day Moving Average to act as the level at which prices react. Our expectation is for the S&P 500 to pull back to the Support Level that it is now at and then begin another move up. This next move up that we are looking for should move the S&P 500 clearly through the 50 Day Moving Average and the indicator at the bottom of the graph clearly through its Zero Line. If neither of these happen, we will once again become defensive in order to protect your capital.



As always, we appreciate your trust in us and we never forget our mission is to both protect your capital and to grow your capital.

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### **Rhoads Lucca Capital Management, Inc.**

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**AMERICA IS 230 YEARS OLD!**

**Happy Birthday to our great Country!**



Have you ever wondered what the founding fathers would think if they could see us now? Lots of changes have taken place in a relatively small amount of time in comparison to the much longer history of the world. As I look back over my life, I am astounded by how most of those changes have actually made the quality of my life better. Just think of the advances in medicine. It's now possible for people to live much longer. So often we think of change as being negative, but the truth is most change increases productivity and the quality of life for everyone. I know it's not fun to learn new things or to see old traditions changing, but we need to get a handle on what's really happening so we can enjoy the positive part of the progress we all share. So what exactly is change? I looked it up in the Merriam-Webster dictionary.

The noun means **THE ACT, PROCESS, OR RESULT OF MAKING DIFFERENT.**

**Synonyms** alteration, difference, modification, redoing, refashioning, remaking, remodeling, revamping, revise, revision, reworking, variation

**Related Words** amendment, correction, rectification; conversion, deformation, distortion, metamorphosis, mutation, transfiguration, transformation; fluctuation, oscillation, shift; displacement, replacement, substitution; adjustment, modulation, regulation

I get a headache reading the synonyms and related words; they are too much like everything going on around me. (Did I mention that I hate change?) We all hate to change, but it's one of those things also out of our control. Let me make two observations about change 1. **Change is not new:** Since creation things have changed. That's part of the DNA of all created things. Life itself requires change. 2. **Change is accelerating:** Everything is speeding up. The Industrial revolution started an acceleration of progress that hasn't stopped, and in our lifetime the invention of the microchip has given a rocket like boost to everything. We are suffering from a form of jet lag caused by everything rapidly changing, and there is no stopping it.

The investment world is also ever changing. Investment strategies that have worked for years no longer seem to work. New financial products are being created, and many of the old products that we are comfortable with no longer work. At Rhoads Lucca we are adapting for you, giving your investments the direction they need to survive in today's environment. In the months ahead you will see us implement innovations to better help manage your financial life. Think of part of our job as holding your hand during all the turbulent changes ahead.

The one thing that will not change is the quality of our service. We are here to serve you. We are always ready to answer all your questions; so just give us a call. We appreciate the opportunity to work with you, and together we will navigate to the future regardless of the changes that confront us. You are not alone.

*John Rhoads*

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