A 10-year Scrabble Called the Stock Market

What a decade it's been. We witnessed a terrorist attack on American soil (Twin Towers, September 2001). We've experienced the biggest real estate boom market we've ever seen (2003-2005) and the bust of that market (2007 to today). It's been a decade of interest rates at record lows. And we're in the biggest bear market rally in stocks since 1937. But, through it all…stocks have gone nowhere in value.

This morning, the S&P 500 opens the trading day at 1,328—the same level it traded at in March of 2001. The stock market is at the same level today that it was 10 years ago despite interest rates falling "like a rock" since 2001.

The majority of Americans who buy mutual funds in their retirement funds with the hope of seeing that money grow through the years have followed the worst possible strategy. "Buy and hold" for the long term, we're not sure who made up that motto, but it was terrible advice to follow over the past 10 years.

The concern: if the stock market can't rise during a decade of dropping interest rates, what happens to the stock market over the next 10 years as interest rates rise? Where will stocks be in 2021? Not a pretty thought.

Over the past decade, the price of gold bullion has increased 427%. Imagine the next 10 years, when we will see a collapsing U.S. dollar, rising inflation, rising interest rates, and China coming on par in economic strength to the U.S. Where will gold bullion be in 2021? My bet: a lot higher in price than it trades at today.

Notes for Thoughts !:

Politicians, they're all the same.

You've undoubtedly heard that the government will reach its maximum borrowing limit of $14.29 trillion in the next five weeks. The U.S. is the only major industrialized country that limits its debt by law. Whenever the government needs to borrow more than it's allowed to, it must approach Congress to increase that debt ceiling.

The Obama administration is now asking Congress to increase the maximum amount of money that the government can borrow, past the current $14.29-trillion limit. Congress is balking, saying that the government has to get spending under control. The Obama people are saying that it would be irresponsible for the government not to increase its borrowing limit.

Back in 1986, President Bush requested that Congress increase the borrowing limit of the government. A young senator at that time voted against the government increasing its debt limit. That senator's name…Barack Obama.

Where the Market Stands:

The Dow Jones Industrial Average opens this week up 7.1% for 2011. It continues to believe that the bear market rally that started in March of 2009 is alive and well. In the immediate term, stocks could rise even more, maybe another five percent to 10%, but the rally is getting tired. Short-term, the outlook for stocks remains negative.