

The bulls maintained their grip on the stock market in early April as the rally that started on March 9th continued to have legs.

Fueling the bulls was that the economic indicators that were disseminated to the public in April seemed to depict that the rate of decline for the U.S. economy was slowing.

In other words the U.S. economy was getting less bad, and as such, according to the Federal Reserve's (Fed) Chairman Bernard Bernanke, there were "green shoots" emerging for the ailing U.S. economy.

The Fed and the politicians were trying to assure the public that their great stimulus plan may be taking hold. Since stocks were beaten down to the ground until early March, investors became less risk adverse and cast caution to the wind, as they bid up the shares of many banks and financial institutions throughout April.

The bond market declined throughout the second quarter raising interest rates from historic lows, albeit, still offering bond investors very low returns.

Many skeptical investors stayed on the sidelines throughout the second quarter, as such, volume and volatility diminished significantly in April, May and June.

They chose to be more sober about investing their money in stocks with the U.S. economy so damaged. It is not hard to understand the reluctance of many investors to jump back in the stock market, especially after it gained so much momentum since early March.

It is hard to make a case for a robust recovery of the U.S. economy with the Fed still printing money to buy Treasury Bonds (Quantitative Easing) and with GM following Chrysler into bankruptcy court.

It is hardly reassuring from an investor's prospective that according to the Fed, banks will lose another 600 billion with their model based on an unemployment rate of 8.9%, when that rate is already 9.4%.

In addition, throughout the second quarter the U. S. economy shed nearly 1.5 million jobs, hardly an elixir for the consumer to start to spend again or mitigate the pace of home foreclosures, which continued to set new records throughout the second quarter.

Even the Obama's administrations "HARP" program to help 5 million homeowners to refinance their underwater mortgages got little traction, helping less than 20,000 homeowners.

I remain skeptical and cautious about the recent optimism of some stock market investors bidding up many common stocks from their March 9th lows. However, I have added preferred stocks to the portfolios that I manage for my clients. Preferred stocks offer more income and are less volatile than common stocks.