

COMMENTS ON THE ART MARKET

VOLUME 98

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Before I begin this month's newsletter I need to make an amendment to last month's ... I stated that my portfolio was teetering at a 36% loss for the year, well the big market push of the last few days of 2008 left me with JUST a 34.9% loss for the year. The funny thing is that I feel blessed to have only been down 34.9% --- if you remember, at one point I was down almost 42%. I told you that the market has a way of making you feel good about a loss – it takes a lot and gives back a little ... hum, sounds like a trick the casinos use. Hey, if that strategy works, why fix it?

I also know that some of you are wondering: why is my newsletter is so early this month? Well, I am off to Los Angeles for the Fine Art Dealers Association's Los Angeles Art Show this week and I will not have enough time to write, edit, print, mail, email and upload all the different versions if I wait until I am back ... so I figured a little early was better than a little late. In addition, there is very little happening in the public art markets right now so this month's newsletter was written in a lighter tone – with only a few statistics; hopefully you will get a chuckle or two.

Now, on with my show.

Ring in the New Year!

They said that 2009 was the beginning of a new year (well, that is obvious) and things would be different so I patiently waited for the stock market to open on January 2nd; and by Jove they were right! When the closing bell rang that day the market was up 258 points and if you saw a graph for the day's activity, it looked like a nice orderly advance; just in case you are wondering, my portfolio was up 3.5% for the day. I was feeling very good – only another 10 days like that and I would be in the black – erasing all of last year's losses!! Woo Hoo!

The following Monday saw the market back to its crazy up and down swings and by the end of that day a loss of 81 points was posted and the headlines on AOL read: *Investors Collect Profits After Last Week's Rally*. Profits ... what profits? I was still down almost 31% -- I do not see any profits!! However, here again something amazing took place ... when I checked my portfolio that evening I was up another .1% -- I know .1% is nothing to write home about, but I was up on a down day! Tuesday was another nice up day and by the end, my portfolio showed a total increase of 4.6% for the first few days of the year ... I was starting to think that **♫Happy Days Are Here Again** ♫. (<http://www.youtube.com/watch?v=SESr9D5Gd7A>)

Well, Wednesday showed up and gave us a couple of uppercuts to the chin – the 'experts' now had fresh worries about the economy. What!? Fresh worries!? I am still wondering who actually thought we were out of the woods on the few days prior? By Friday they were complaining about the lousy jobless rate (and my portfolio was now up only 1% for the New Year). Wasn't the market expecting poor jobless claims and more difficult times ahead? At least my euphoria lasted for a few days!

The bad news continued the following week with 3 of the 5 trading days posting a loss (318 points in all) ... and some were big ones! At the end of the first two full weeks of trading I was, once again, in the red – down about 2.6% (what a swing in just 7 trading days) I really hope this is not going to be a repeat of 2008!! There was a bright spot --- my RIMM stock closed at \$51.11!! But, as with everything, there is always a Yin to the Yang --- my Citi hit the skids and closed at \$3.50; so I bought a few more share to dollar average down – figured it worked for RIMM so why not try it with Citi.

They now tell me that the next big event, Obama's inauguration, will be the turning point --- good times are on the horizon and a light can be seen at the end of the tunnel --- but here is my question: is that really a light at the end, or did some other lost soul, in this economic abyss, turn on their flashlight? Regardless, with paintings in hand, I am heading that way!

Personal PR

Last month I was invited to submit art related articles to the JustLuxé web site. They describe themselves as follows: *JustLuxé.com, a member of LuxeMont community on luxury web publication, provides objective analysis and information to affluent consumers of luxury goods, services and travel through relevant content and our luxury resource guide, LuxeClassifieds.*

JustLuxé provides content and insight into 40 categories that includes luxury travel, Yacht and Aircraft charter services, vacation real estate, fashion trends to name a few. Today, JustLuxé has three distinct sections; fine living, lifestyle and luxury travel and is a valuable resource guide to the over 1.5 million affluent consumers monthly.

So far I submitted 6 articles and all were published (a 7th is in the works). In case you are interested in reading/seeing them, I have listed the titles, which are also links, below (the first 5 are revised versions of my earliest newsletters and the last piece was taken from Volume 97):

[Buying Art – The Basics: Part I](http://www.justluxe.com/lifestyle/arts/article-239948.php) (<http://www.justluxe.com/lifestyle/arts/article-239948.php>)

[Buying Art – The Basics: Part II](http://www.justluxe.com/lifestyle/arts/article-240348.php) (<http://www.justluxe.com/lifestyle/arts/article-240348.php>)

[Buying Art – The Basics: Part III](http://www.justluxe.com/lifestyle/arts/article-240446.php) (<http://www.justluxe.com/lifestyle/arts/article-240446.php>)

[Buying Art – The Basics: Part IV](http://www.justluxe.com/lifestyle/arts/article-240591.php) (<http://www.justluxe.com/lifestyle/arts/article-240591.php>)

[Buying Art – The Basics: Part V: Authenticity](http://www.justluxe.com/lifestyle/arts/feature-240730.php) (<http://www.justluxe.com/lifestyle/arts/feature-240730.php>)

[A Word on Art and the Economy](http://www.justluxe.com/lifestyle/arts/feature-240518.php) (<http://www.justluxe.com/lifestyle/arts/feature-240518.php>)

You can also visit www.justluxe.com and go to the Lifestyles section and then to the Arts & Culture sub-section.

Questions from a Reader – “A Very Small Collector”

One of our devoted readers, and a client, from California sent me the following email:

Could you comment for very small collectors ;-). Should they collect paintings of the same type so they look [good] together on the walls or should they just buy what appeals to them? Should they go with the name artists as investments as well as what they like? Victoria

The first question: should you buy works that look good together, or those that you like? My answer is always the same – buy what you like. Now, hopefully the works you like will all be similar in style or from the same period so they should work well in a grouping. And while you might not realize it, a high quality academic painting done in the mid 19th century should look fine next to a similar quality academic work done in the mid 20th century.

Of course, there are people whose tastes run the gamut from Abstract to Minimalist to Academic and you may find that hanging various styles in a grouping might not be the prettiest way to display them; in fact, a grouping like that may look rather odd. However, if the quality level of the art you buy is fairly consistent, you will find that hanging an Abstract painting in the same room with an Impressionist or Academic work will be just fine. If you have a Rembrandt hanging in a room with a Monet and a de Kooning you will see that each painting, assuming they are all of similar size and importance, will hold their own; one will not overpower the other. After all, each was a master in his own time.

Not too long ago the Dallas Museum of Art held an exhibition of works by Van Gogh. In that exhibition

two paintings by Julien Dupré were included and while I did not personally get a chance to see the physical exhibition, those who did reported back to me that the Duprés look pretty good next to the Van Goghs.

The second question related to buying for investment vs. buying what you like. Again, I am a firm believer in buying what you like because if you do not like it, what is the point of owning it? For a majority of people, art has become a major purchase and most want to make sure that their money is protected. I always stress to new buyers that they acquire art for its beauty, which of course is in the eyes of the beholder. On top of that, most people need to realize that the primary use for the art is to decorate their home or office; thoughts of 'making money' should be a secondary concern. Let's be honest, how many of you are actually going to be buying and selling the works you own on a regular basis? Not too many. And how many of you will become true collectors (buying works even after all the available space in your home or office is filled)? Even fewer. So since you will probably own the art you buy for many years, your main question should be: do you love it and want to own it?

The bonus of buying the right art is that, in the long run, your money should be well protected and, hopefully, when you decide to sell, you will make a tidy profit. Of course, there are no guarantees that this will happen; however, history has shown that the right works of art do very well for their owners. I know, but what about these current cataclysmic economic times? Nobody predicted that the worst would happen, but even so there are still many people buying art today knowing that in these more troubled times they can choose the best works possible without any serious pressure to make a hasty, and possibly regretful, decision.

Barring any physical damage, your art will continue to live on --- which is not something that can be said of some other investment vehicles.

P.S. - Pink Floyd and Bernie Madoff

Nobody can escape the Madoff news updates so I thought -- why not add my comments on the matter. The other day I was listening to the rock album *Animals* (1977) by Pink Floyd and the song titled *Dogs* came on. I was singing along (not out loud) when it hit me --- this could be used as the theme song for *The Life and Times of Bernie Madoff* – I am sure someone is going to make it into a movie. If you never heard the song, it is worth listening to (if you can handle a 70s rock song) or, at the very least, reading the lyrics:

Dogs – The Lyrics (<http://www.pink-floyd-lyrics.com/html/dogs-animals-lyrics.html>)

Dogs – The Music Video (for the full effect - <http://www.youtube.com/watch?v=GhZeYjpSXCQ&feature=related>)

After really listening to the words I went online to see what the group was writing about. Wikipedia states that dogs are used to represent the megalomaniacal businessmen who destroy themselves and those around them by obsessing over their egos and their careers. Does that sound like Bernie Madoff or what!?

Wikipedia: Dogs (the meaning of the song - [http://en.wikipedia.org/wiki/Dogs_\(Pink_Floyd_song\)](http://en.wikipedia.org/wiki/Dogs_(Pink_Floyd_song)))

Wikipedia: Animals (the meaning of the album - http://en.wikipedia.org/wiki/Pink_Floyd_Animals)

While it will be very interesting to see how this whole mess plays out, I am still a little puzzled by the comments that nobody else in his firm knew what was going on – give me a break! His brother and kids had no idea? – HA! To me it sounds as if he wants to be the fall-guy. I have said this before about the art market – if a deal is too good to be true you should walk away – I guess the same thing is true in the financial world ... the Madoff returns were too good to be true.

I know what you are thinking -- what does that have to do with the art market? Some may think absolutely nothing, but the ripple effect of his actions will be felt throughout every area of our economy – even in the art world. We personally know some of the people who were financially hurt / devastated by this individual. It is a very sad statement of our times and once again, greed has reared its ugly head.

Humm ... maybe Bernie should start preparing himself for his new home by listening to this catchy tune from Johnny Cash - **Folsom Prison Blues!** (<http://www.youtube.com/watch?v=N5Ts4M3irWM>)

Howard L. Rehs

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Gallery Updates: The month of February will find us exhibiting at the Palm Beach Jewelry, Art and Antiques Show. This exhibit takes place over the President's Day weekend February 13 – 17, 2009. If you happen to be in the area during that weekend, please stop in and say hello.

Web Site Updates: Works by Louis Valtat, Edouard Cortes and Antoine Blanchard made their way through the gallery this month. And look for new works by Ridgway Knight, Antoine Blanchard, Louis Aston Knight, Gregory Harris, Holly Banks, Sally Swatland and Katie Swatland to be added to our site; a few are illustrated below:



Francesco Bergamini
In the Tavern



Antoine Blanchard
Boulevard des Capucines



Sally Swatland
Lake Como



Gregory Frank Harris
Mist on the Highlands

Next Month: Exciting market updates and I will tackle the question – what makes someone a true collector?