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When It Rains... It POURS!

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Friday wasn't my day. You ever have one of those days when literally EVERYTHING goes wrong??? That was my Friday. I rely on my kids to wake me up in the morning to get going. They have almost a 100% accuracy rate of being on time. Except on Friday when they both slept past 7:30!

As a very regimented person, I hate getting to the office late. It messes up my routine. And that's just how the day began. Throw in a barrage of computer related problems, and I wasn't the happiest camper to start the day.

I usually don't put too much stock in the ability of meteorologists to accurately forecast the weather. Anything beyond a day or two has been scientifically proven to be 50% at best. I do, however, rely on their forecasts about a day out.

So when they called for mostly cloudy skies with a chance of a passing shower, that's what I planned for. Little did I know it would start raining early in the morning and not stop until bedtime. Teri and I were taking the kids to Vermont for the weekend with another family and our usual two and a half hour car ride ended up taking well over four hours after an unexpected stop at Uno's.

It took so long just to get to and out of Hartford that the kiddies lost it and wanted out of the car, badly! It rained so hard that traffic was heavy almost straight from my office all the way to central MA. What a "fun" ride and end to the day!
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Did I leave anything out? Oh yeah, how could I forget the stock market's behavior on Friday? What a mess! While we did a truly outstanding job of avoiding 100% of the July - August debacle, we did get a little nicked up on Friday. After 20 years in the business, I have grown to accept these kinds of events, but I am certainly not happy about them!

Going into last week, as you know, I had grown much more concerned about the intermediate-term outlook on U.S. stocks. (http://www.investfortomorrow.com/PressRel.asp) The entire rally since the August 16 bottom had been on woefully pathetic volume, a definite warning sign about the sustainability of the move, but not a timely indicator.

As the Nasdaq almost melted up in parabolic fashion, it got so far ahead of the other indexes and its ratio of volume to that of its listed counterpart, the NYSE, hit definite cautionary levels.

What really "killed" the rally, in hindsight, was not the news from Caterpillar or Schlumberger or the spike in oil prices or the Treasury led bailout with Citibank. Rather, it was sentiment. Good ole fashion bullishness.

From despondency and panic in August, the market had come full circle to euphoria and greed in 7 short weeks. You can see it in the polls of Investors Intelligence, which measures the opinions of newsletter writers. Ditto for AAII, which focuses on the individual investor.

Throw in the activity in the options and futures markets and the near vertical ascent we've seen had to change. People became "giddy" about the prospects for stocks and that's usually not a good thing. I should have seen it coming, but I didn't and I'll tell you why in a minute.

To add insult to injury, one my most bearish peers, partially threw in the towel late last week and that should have been the bell ringing for a decline. With all the info I had, what was my outlook?

I did see this decline coming. I wrote about it in my press release last week. The problem was that I thought the market would hold up until after the Halloween Fed meeting. I figured if Bernanke did not cut rates, stocks would sell off sharply. If he did lower rates, I thought we would see a quick rally and then a steep decline.

What I didn't envision was the correction starting now. The major indexes were short-term oversold three times last week and there were some fairly strong seasonal trends. The fact that stocks could not rally with that kind of tailwind was certainly a sign by Friday morning. For the first time since the August bottom, the personality of the rally was different.

So after all that babble, where are we now? I think Monday is a key day. We have another historically high one day advance/decline ratio and up/down volume ratio to build on. The best thing for the bulls would be an ugly open with lots of fear and sparks a few more waves of selling during the morning.

The problem is that we most likely need to see some heavy volume days to clean this up and we're not there yet. Should stocks rally from here, I think the whole correction lasts longer. If we spiral lower, a bottom should be at hand within a few days to a few weeks.

However the scenario plays out, I believe we will see lower prices in the short-term before a very strong year-end rally unfolds in November and takes us right to 2008.

Want to STOP Paying Capital Gains Taxes to Uncle Sam?

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Every now and then, a client or prospect asks me about either lowering their tax bill or avoiding capital gains taxes. First of all, I am not a tax advisor. I don't believe people in the financial services business should try to be a "jack of all trades". Know what you are great at and what you are not. Know you limitations!

I rely on my own team of tax experts. Until recently, the best advice I could give someone was to maximize their retirement plans and talk to their accountants.

With the help of Jefferson National, clients can now invest in many of our strategies without paying short-term capital gains taxes to Uncle Sam. Think about it. You've seen our returns, and here they are if you have not.
http://www.investfortomorrow.com/PressRel.asp

If you are worried about paying too much tax to the government and want to invest in one of our strategies, contact me directly by phone at 203.389.3553 or hit reply right now and I will share one of the best kept secrets in the business.

Now is the Time to Think about Taxes

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After writing the previous piece, I got to thinking. Why do we as a society always wait until the last minute or it's too late before acting on an important decision. I know on the tax front, clients usually ask me for help right before they have to meet their CPAs.

And how many people actually review their accountants' work and decide whether to work with them or not the following year?

As most people know, the worst time to interview CPAs is January through April when they are busiest. And I have found that a second "crush" for CPAs falls from mid September to the extension deadline on October 15.

If you have an accountant or are contemplating using one, I suggest you use from now through year-end to decide who you want to work with. There's nothing wrong with interviewing one or two to make sure you are comfortable.

When prospects meet with me, I urge them to take some time and make sure they are totally comfortable with whomever they decide to hire. Don't rush it! The same can be said of your CPA. If you are not happy with the advisor you work with, find another one!

As always, we are happy to suggest a few CPAs that we are comfortable working with, but please don't wait until the last minute!

To Your Financial Success,

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