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## **Inside this issue**

[New Addition \(And no, not the band\)](#)

[Are There ANY Bulls Left?](#)

[Heritage In The New Haven Register](#)

[We Get By With A Little Help From Our Friends!](#)

## **New Addition (And no, not the band)**

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**As I mentioned in the last issue, Teri & I were just about to have our third baby last Thursday. Our newest little guy arrived at 10:00am with a full set of very loud lungs! At 7-14, he was our smallest baby and kinda looks like a little old man. I was kidding was the medical staff that it's pretty amazing that we enter the world in diapers and many times leave the world in diapers some 80-100 years later.**

**Mommy and baby are doing well and came home on Sunday. The best way I can describe our house is controlled chaos and mayhem ever since! When people call or stop by and ask how we are all doing, I take a deep breathe and say "we're in the adjustment phase". At 41, I never thought I would be starting all over again! Shouldn't I be coaching T ball or soccer by now? Thankfully, I married the perfect woman for me who sacrifices a whole lot more than I do and is MUCH more sleep deprived than I am. So I guess I can't really use that as an excuse for my normal grammatical errors.**

**I do want to thank you for your calls and emails with good wishes. My writings reach not only across the U.S. but around the world as well. I find it incredible that I hear from folks on personal level whom I've never actually met. It really is amazing!**

## **Are There ANY Bulls Left?**

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**It seems like every issue I mention in one way or another that stock market volatility remains at historic highs and is likely to continue that way for the foreseeable future. That remains the case. I was talking to a client on Tuesday and the stock market was about as quiet as we've seen all year. In years past, I would lament how much I miss the "good ole days of volatility", but on Tuesday, I really welcomed the respite from the daily gut wrenching turns we've grown accustomed to seeing.**

**It's been pretty amazing at just how fickle market sentiment has become. After a day or two of upside, we see some folks calling for the bottom being in with higher prices to come. Yet after a bad down day or two, the same folks come out and talk about selling stocks into rallies as the best strategy. It just makes you shake your head.**

**My opinion remains the exact same as it's been since January. We saw historic extremes on January 22 and 23, very similar to the 1987 crash, 1990 S&L Crisis and 1998 Long Term Capital and Russian debt default events. After a few week rally, we were on guard for a successful retest of that January low that would likely be the result of some horrific news event. I think Bear Stearns certainly qualifies.**

**Sentiment at both the January and March lows was about as bad as it has ever been. The news headlines are about as gloom and doom as we've seen in the modern investing era. It's so hard for most people to fathom that the vast majority of the credit market has been completely shut down for months and months. There's one camp that says that market is pricing in a depression and the stock market simply doesn't get it yet.**

**It feels just plain awful out there. Some people have told me they totally stopped watching the news since it's so depressing. Others say they can't even bare to look at their 401K statement online. Record foreclosures. Home prices plummeting. Oil and commodities skyrocketing. The economy is falling off a cliff. It's hard to argue!**

**And this week, we saw consumer sentiment as bad as we've seen since late 1990 with expectations the worst in HISTORY! This all makes you want to horde canned food and bottled water and head for the mountains!**

**And yet, the major stock market indices are slightly higher than they were way back on January 22. Sure, we've been in a bear market for months and the decline from high to low is 20% so far, but does the stock market really have it wrong? Are the credit market folks the "smart" money? Is the stock market about to head to 0?**

**I don't think so. You can look back at any bear market in history and it feels the absolute worst just before it turns and heads higher. I think we can all agree that feels just awful. People keep asking me why it can't be like 2000 - 2002 and continue lower for another few years. While anything can happen, I can find almost no similarities between then and now.**

**But the most important difference is sentiment. During 2000 and the first 8 months of 2001, investors remained optimistic and held on to their stocks. The Nasdaq was collapsing 20, 30, 40 and 50%, but for some reason, the majority kept thinking it was just about to end and quickly return to the old highs. Until 9-11, the stock market never saw a confluence of historic extremes like we did in January and March of this year.**

**In September 2001, people finally threw in the towel and sold, right as the largest rally in the entire bear market was beginning to the tune of 20%+! Even if we are going to remain in a longer-term bear market, which is still open to debate, the current conditions support AT LEAST a 10% rally. And that's my worst case scenario. If 1987, 1990 and 1998 are the more valid comparison, then the rally could be a whole lot more powerful, confounding just about everyone!**

**With reward as potentially as good as that, I continue to believe the risk is to roughly 1250 on the S&P 500 and 11,500 on the Dow. And if I am wrong in that stocks head to those lower levels first, I believe it will happen in the next few weeks. But I still feel that the major indices will end the second quarter at much higher levels than they are right now.**

## **Heritage In The New Haven Register**

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Tuesday, March 25, 2008

nation's central bank.

A week ago, the Fed lent its aid to the struggling investment banks, by accepting as collateral much of the now-shunned subprime mortgage debt.

The Dow Jones industrial average rose 187.32, or 1.52 percent, to 12,548.64, after jumping more than 230 points earlier in the day.

Bear Stearns shares jumped \$3.42 to \$9.38, while JPMorgan rose 58 cents to \$46.55.

Paul Schatz, president and chief investment officer at Heritage Capital LLC in Woodbridge, said that Wall Street's troubles are likely to persist past the Bear Stearns deal.

"Bear Stearns was about as bad as the government was going to let it get," he said. "I still think we're going to see a steady flow of bad news and, I think, we'll see some midlevel banks go out of business."

Expectations are that it will be some time before Wall Street knows whether the write-downs on mortgages already taken will be sufficient.

Schatz said the stock market looks six to nine months down the road and signs of a broad-based, rather than narrow, rally are emerging in semiconductors, transportation, regional banks and retail.

"They seem to be emerging as new leaders in this bull run," he said.

Weaker areas might be Treasury bonds, mining and metals and commodities, he said. "That's where everyone ran for the past three to six months as the market came under pressure," he said.

Denis Amato, chief investment officer at Ancora Advisors in Cleveland, is skeptical of the notion that Wall Street might have put its troubles behind it with the Bear Stearns deal. "It may be the one of many bottoms," Amato said.

Broader stock indicators also advanced. The Standard & Poor's 500 index rose 20.37, or 1.53 percent, to 1,349.88, and the Nasdaq composite index rose 68.64, or 3.04 percent, to 2,326.75.

Light, sweet crude fell 98 cents to \$100.86 per barrel on the New York Mercantile Exchange.

## **We Get By With A Little Help From Our Friends!**

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