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Should We Call This A Bull Market?

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In the last full issue, I discussed how the market was absorbing the negative news flow a lot better than we've seen at any time in 2008. After some weak openings, stocks have gathered themselves, shrugged off the news and marched higher. Remember, the most bullish thing the market can do is go up in the face of bad news and vice versa.

Since then, stocks have been hit with the monthly employment report, showing more than 500,000 jobs lost in November alone, the most since the depths of despair in 1974. After a sharply lower open, the major indices turned tail and closed well in the black, at their highs for the day.

And last Friday, the market was hit with the Madoff & Co. debacle along with the failed auto company package from Congress. (And of course, Harry Reid's "prescient" call about how bad it will be on Wall Street) Once again, after a much lower open, the indices saw buyers come in throughout the day, closing stocks sharply higher at their best levels of the day.

So clearly, the climate continues to change and the wounds are starting to heal. But it's going to take a long time and more pain to come out of this. (Note to politicians, democrat and republican: stick to what you are paid to do and keep your mouths closed on topics you have no clue)

As the rally off of the November lows continues to develop and touches the magical 20% mark, I wonder if we are going to be bombarded with the useless drivel that a confirmed bull market has begun. The masses love to drag that theory out every time we see a 20% decline, so let's see if they have the guts to do it now. My guess is no.

For all we know, a new bull market may be beginning, or not, but it certainly has nothing to do with some mystical price level. It has to do with how the market behaves. As I've mentioned before, we need to see volume and buying stampedes. New leadership must emerge and a foundation needs to be in place for it to last.

One very powerful positive for stocks in 2009 is the level of buying by corporate insiders. Since these folks are on the firing lines and have first hand knowledge, it's generally considered to be a very bullish sign when they buy stock since they have to dip into their own wallet to do so.

In the past few months, depending on how you massage the data, insider buying is at its highest levels since either the lows of the 1980s or even the 1970s. While that doesn't translate into an immediate bottom and blast off, it does have very bullish implications over the intermediate-term for 2009.

## **Fed To Move Rates Towards 0%**

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As I type this, the Federal Reserve is in the midst of a two day meeting to determine the course of short-term interest rates and other creative initiatives to help the ailing financial system and economy. The meeting was supposed to be just on Tuesday, but with everything going on, Ben Bernanke clearly needs more time to assess previous actions and plan for the future.

With treasury bills trading at 0% and watching the actions from the Fed's trading desk, it's obvious that Bernanke & Co. have long decided where rates are headed, just like Japan did in the 1990s to combat deflation. I fully expect a 1/2% cut in the Fed Funds rate and possibly 3/4% to bring rates in line with where they are actually trading in the marketplace.

And before long, it's very possible that we may see 0%!

It's been pretty shocking to watch 30 and 90 day treasury bills pinned to the 0% line for the past month or so. But unlike what we saw during periods in September and October, there is more to it than just an extreme flight to quality with a broken financial system.

Treasury bill rates have down and stayed down because the Fed has effectively reduced interest rates to 0% with no change anywhere on the horizon. Yes, some people, particularly futures traders who use these as collateral, will always buy, but I also imagine that some financial institutions want to carry these guaranteed and highly liquid instruments on their books as a positive sign to Wall Street, even at 0%.

The interesting part will come when yields on treasury bills begin to rise long before the

Fed announces a rate hike.

The Tax Loss Selling Myth

December is usually the time of year where we see activity known as tax loss selling taking place in taxable accounts. The theory goes that investors who have taken gains during the year try to match up those gains with an equal number of losses to offset the impact of capital gains taxes.

This behavior is most often seen in stocks that have had the worst declines during the year, and usually at or close to their lows for the year. That, in turn, usually leads to a phenomenon called the January Effect, where the most beaten down stocks see a significant bounce into early in the New Year as tax loss selling abates and the most ardent bargain hunters begin dipping their toes in.

It all makes perfect sense... in NORMAL years. But this is not a normal year. I keep hearing chatter about tax loss selling having a negative impact on stocks this month. Really? I'd to meet all the people who have these gains to pair of against losses.

My two cents is that tax loss selling, other than to get that tiny write off the IRS allows, is utter nonsense this year. In fact, I can even make the case that investors would be holding back losses to 2009 on the premise that Obama raises taxes, which would make the losses even more "valuable".

Next CNBC Appearance 12/18

I will be on CNBC Reports this Thursday, December 18 between 8:00 pm and 8:20 pm est. For those of you who would like to watch the past CNBC segments, you can click on the link below and browse at your leisure.

[Click Here](#)

Good Bye High Energy Prices

Last week, I briefly touched on something I've given a lot of thought to during the past year, our exposure to the potentially devastating effects of surging energy prices. In some states, oil companies have price caps or fixed pricing, but that only applies to heating oil and with a maximum duration of one year.

So I've had my thinking cap on trying to come up with a strategy that would have the effect of hedging gas, oil or natural gas prices. With the destruction of energy prices since July, it's now time to initiate this strategy for clients with prices down so much.

For those of you thinking that I am creating a consortium to buy oil at a discount, you're wrong. That wouldn't help hedge longer-term price moves, just get us slightly lower prices.

What I intend on doing is structuring a portfolio in a client's name that I would oversee to hedge either gas, oil, natural gas or all over a given time period. And the money would be totally liquid and able to be withdrawn at any time!

All you need to do is schedule a brief call to answer a few questions and get the ball rolling.

As I mentioned in my last update, I am offering this service to all clients without any management fees or strings attached. I plan on using the same strategy as you for my family.

Just reply to this email or call me at 203.389.3553 to schedule a 10 minute call.

FINAL Call To Help For A New Series

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Similar to what I did with the energy crisis from May through July, I am going to begin a series on how we got into this financial and economic mess and what lessons we can learn from it.

If you haven't already answered the few questions on the online survey, please click the link below. It will only take a minute or two. Thanks!

**Who's at fault?**

**Friends And Family Plan**

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Finally, as you know, our firm and this newsletter continues to grow mostly from your referrals. If you know anyone who is interested in securing their retirement, planning for it or just plain worried about it, please send them here. As always, thanks for thinking of us with your circle of family and friends.

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To Your Financial Success,



Paul Schatz
President
Heritage Capital LLC

1 Bradley Road Suite 202
Woodbridge CT 06525

203.389.3553 Phone
203.389.3550 Fax

www.InvestForTomorrow.com

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StreetSmarts is produced and distributed regularly via email by Paul Schatz of Heritage Capital, LLC

1 Bradley Road, Suite 202 Woodbridge CT 06525 Phone (203) 389-3553 Fax (203) 389-3550 - www.InvestForTomorrow.com
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