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## **Not Done With Tim Geithner**

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Apparently, last week's rant on Tim Geithner being nominated for the Treasury struck a raw nerve. I received a good number of emails vehemently arguing against my position as well as agreeing with it. To make matters worse, and I had to reread the commentary, Mr. Geithner with obvious prompting from the new administration took a very loud and blatant shot at the Chinese government, accusing them of currency manipulation.

Although many of us believe the Chinese government does a lot more than just manipulate their currency, I don't think it was the right time or place to drop that bombshell. Couple that with the clearly protectionist global economic packages and you are heading towards a repeat of Smoot-Hawley from 1930. The Smoot-Hawley Tariff Act was a gigantic mistake as it put tariffs on thousands of imported goods from Europe, leading to retaliation by those nations and a total collapse in trade.

The Great Depression was not the result of one bad decision, but rather the perfect storm of horrible idiotic moves. I'll have much more on whether we're headed in that direction in my next issue, but the early results on Tim Geithner are NOT encouraging!

Before I end this non investment topic, I have to add a comment on presidential approval ratings. Roughly a week ago, I saw a poll that gave President Obama an

85% approval rating. I shook my head. How can you approve or disapprove of the job he is doing just a few days after the man was inaugurated? That's idiotic!

Just when I thought it couldn't get any dumber, this week I saw his approval rating "drop" to 65%. Were they talking to the same folks who gave him 85% last week or was this a whole new group? Is this really happening? Someone is actually paying for polling numbers just days after a new president was sworn in and again the next week?

Only in America!

## Hope Is NOT A Winning Strategy

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My comments on the financial markets have not changed a whole lot since October. Both the stock and bond markets have put in very meaningful lows and the path of least resistance has been, believe it or not, up! Today, with one of the least important post Fed meeting announcements ever, stocks built on gains that began from Obama's stimulus plan and idea to establish the "good bank/bad bank" model to help cure the financial system.

While the tone was certainly "long and strong", the stock market is far from the days where you could just close your eyes and buy. The environment remains dominated by professionals and I continue to buy weakness and sell strength until proven otherwise. Each passing day is one of healing, long-term, but those waiting for upside market or economic confirmation are playing a losers game.

As I discussed for the last 4-6 months of 2008 and now, you can fully expect the news flow to remain horrific, depressing or any other similar adjective. That's what happens in the late stages of a bear market and during the transition to bull. People read or hear the news and continue to hide their money in bomb shelters until they feel things are better.

And that's one of the great mistakes in investing!

I can't tell you how many folks have rejected my advice to put money to work over the past four months. And believe me, I am far from perfect, but successful investing is about the playing the odds. They're terrified by economic landscape, with good reason, and want to bury their heads in the sand. And that's one of the reasons to be bullish! We've exhausted an awful lot of sellers, both individual and institutional, that will likely come rushing back into the markets when they see things getting better.

By the way, I'm not talking about investing in one of those Vanguard index funds where you buy and then hope it goes up. I've always advised on strategy and asset diversification and this time is no different. Everyone should have an active plan for their investments. I love the line... People don't plan to fail; they fail to plan!

Look at the constant barrage of bad news that's hit the markets over the past month. It seems like it will never end! I mean, how much worse can it get when two of the largest financial institutions in the world, Citi and B of A, are on the verge of being nationalized? Yet the stock market is essentially unchanged over the past month. That's pretty resilient if you ask me.

Let me lay out two scenarios for the stock market the rest of the quarter. The first is that stocks are just about at the end of the rally and will rollover to test or slightly exceed the November lows by the end of March.

I say "slightly" because with so many investors rushing to the sidelines near the lows or being forced to unwind positions and leverage, we should not see a waterfall decline lower and lower that feeds on itself. I do not believe there will be enough serious sellers at that point to see an entire new leg down. Should this occur, which is less likely, I believe that would be the end of the bear market and a 40-50% rally would ensue by year-end.

Scenario number two has this rally pausing to refresh shortly, followed by making a higher high than we saw this month. I would imagine that some kind of peak would be seen by late February to mid March with the next significant low before the end of April. That would lead to even higher prices into the summer.

Of course, as each rally and decline unfolds, it's vitally important to watch the number of stocks going up and down, making new highs and lows along with volume. We also need to see which sectors are leading the way up and down to determine the staying power of each move. This is NOT the time to be complacent! We all make good and bad decisions, but "hope" is not an investment strategy!!

## **Another Rant**

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One of the things I have done a really good job with in my career has been to identify the "hot" trends or products of the moment and avoid them. It wasn't long ago, June 2008, when clients and friends were in panic mode regarding energy and commodity prices. At the time, I was confident that we were in the throes of another asset bubble that would come crashing down before long.

Given the market insanity we saw in 2008, I keep hearing from folks, as I mentioned above, who are running from the stock and bond markets. These are the same people who couldn't invest their money fast enough in 2007 and remained fully invested until the 4th quarter of 2008.

Now, rather than working with investment advisors across multiple strategies and assets in one of the greatest "sales" of our lifetime, they are CRAVING "guaranteed" investments. "Give me my fixed annuity"! Of course, I have an ax to grind and for full

disclosure, I do not sell annuities, but I gotta scratch my head when folks are running to the "safe" arms of brokers and insurance salesmen.

Fixed annuities? Are you kidding?

Forget about the insanely high fees and the fact that your money is locked up nice and tight. Who the heck in "guaranteeing" your money? After Lehman, Bear, AIG, etc., are we STILL so naive to believe in the insurance industry and their staying power?

Equally as bad is the fact that when, not if, inflation returns, those "guaranteed" payouts will be significantly eroded. You may still receive your 5 or 6% payout, but when inflation goes from 0% to 3%, that directly reduces your buying power. How about when inflation hits 6% or higher and your return is now 0% or worse?

Before you sign on the dotted line, I urge you to consider the other alternatives available. Interview other advisors. Talk to your friends. Consult your local fortune teller!

## **Protect Yourself From The Next Energy Crisis**

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For several months, I've discussed a strategy that I am offering clients without charging my fees on how to lock in the currently low energy prices. Translated, that means, how would you like to pay under \$2 at the pump for the foreseeable future?

Would you enjoy today's natural gas prices, some 70% lower than the summer for years to come? With a little help from my genius colleagues, I've been able to construct custom portfolios for clients based on their various energy needs and time horizon. The portfolio is fully transparent, in your name, with 24/7 online access.

Our friends at the New Haven Register got wind of it and ran a full, front page story about it in last Sunday's business section. I want to publicly thank both clients, Jeff Luck and Mike D'Ambrosio who graciously volunteered their time to speak with the Angela Carter from the paper.

Click the link below to read on.

## **[Hedging Your Bets: Investment plan eases energy worries](#)**

## Two Tidbits

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Earlier this month, I discussed the Early Warning Indicator (EWI) and January Barometer (JB) to determine how 2009 will end up. With two days left in the month, we've already seen a positive EWI, but the Dow and S&P 500 are still off about 3% this year for the JB. Unless we see additional sharp gains this week, we'll have a split, something I will comment more on next week.

Finally, as tax time approaches and we get organized to visit our CPAs, I wanted to share a significant change in mandatory distributions that Congress passed last year. If you are looking for a CPA, just hit reply and I'd be happy to share those that we have successfully worked with.

*"The 2008 Recovery Act provides a one year suspension of the RMD rules for 2009. Specifically, no minimum distribution is required for calendar year 2009 from Individual Retirement Accounts and defined contribution retirement plans (such as Section 401(k) plans). The exemption also applies to so-called Section 457(b) eligible deferred compensation plans maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. Thus, any annual minimum distribution for 2009 from these plans is not required to be made. The next RMD will be for calendar year 2010. This relief (referred to as the "2009 RMD waiver") applies to life-time distributions to employees and IRA owners and after-death distributions to beneficiaries."*

## Heritage Capital All Over The Media

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I am going to be on CNBC on February 11th between 8:00pm and 8:20pm.

Over the past week, we have been quoted in the following financial stories:

[\*\*Bruno corruption case opens business practices to scrutiny\*\*](#)

[\*\*Legislator addresses 'blatant class bias'\*\*](#)

[\*\*Local banks faring best amid crisis\*\*](#)

## 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.

<http://www.investfortomorrow.com/newsletter.asp>

You can also forward this email to family and friends by hitting the "forward email" hotlink at the bottom of this email.

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