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Inside this issue

Geithner and I Agree!

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There's nothing better after writing a newsletter than to receive comments back, either agreeing with my position or calling me a moron. In both cases, the individual took the time to read and digest what I had to say. If I only chose topics that there wasn't an opposite side, I wouldn't have much to say!

For many months, I have ridden Tim Geithner as the wrong man for the job at the worst time. Here's a sample from this week. Geithner Rant While, many folks agreed with my assessment, some of you had differing opinions. I found it interesting that one person derided me for being a right wing conservative fanatic, trying to bring down the Obama government, while another said I had a hidden agenda of hating Bush's government where Geithner served.

For those who even care, neither comment depicts my political personality.

Turning back to Geithner, I even found some common ground where we totally agree on an issue! This week, during testimony with Congress, Geithner said that Ed Liddy, current CEO of AIG, was being unfairly attacked and blamed for the historic collapse. I could not agree more!
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Before criticizing, people should make certain they have the facts, not some idiotic commentary published on someone's blog about this giant conspiracy. Ed Liddy became CEO of AIG **AFTER** the government bailout. He was a very successful, retired executive from Allstate with little incentive to get back in the game. His salary, if my facts are correct, is an enormous $1(plus equity grants), just like in the movie Trading Places where Don Ameche loses the bet to his brother and destroys Dan Akroyd in the process. Additionally, he is entitled to performance based bonuses starting in 2010, I believe.

The man came out of retirement, I assume at the request of the treasury and President, to help the country and unwind one of the greatest financial disasters of all time. He probably deserves a lot more credit and thanks than he's getting, especially from those borderline ignorant and arrogant Congress people who somehow tied him to the collapse.

It seems like every day, there's another Congressional hearing for the politicians to grandstand, after the fact, on today's hot topic. Talk about frothing for their 15 minutes of fame and creating soundbites for the next reelection campaign.

And for what? What does it all accomplish at the end of the day? Bear, Fannie, Freddie, Lehman, AIG have all blown up. The money is already gone. Everyone knows that the regulatory environment is going to dramatically change. I just cannot see any good coming out of all these hearings.

Imagine how much taxpayer money is being wasted here, not to mention the cost to shareholders for having their CEO out for the office for the day and the amount of prep time to get ready. We need to move forward, and stop focusing on the rear view mirror all the time. We don't need the whole public political circus to effect change!

I was going to add some comments regarding the House's 90% tax on AIG bonuses, but my good friend, Tom McClellan of McClellan Oscillator fame did such a nice job in his own letter that I asked him to reprint for you. Below are Tom's comments.

...the House bill to tack a 90% tax rate on bonus payments to employees of companies that received TARP money was the big news on Thursday. The actual amount of money paid to AIG executives pales in comparison to the magnitude of the spending in the stimulus bill, but focusing the news cycle on this angle takes the heat off of Congress for all of the pork contained in that stimulus bill, so it is a useful opportunity.

I am upset about the taxpayer money going to these purposes, but I am far more upset about Congress' trampling of the US Constitution. This bill changes the tax rate on payments that have already been made. As such it is an "ex post facto law", which is forbidden by Article 1, Section

9. That same section also forbids "bills of attainder", which is an old term for declaring that a certain person or group was "tainted" and thus their property could be confiscated without benefit of a fair trial. The congressmen who voted for this bill all swore an oath to faithfully support and defend the Constitution . They may not be able to read 800-page spending bills, but they ought to get around to reading the Constitution.

But here is a more interesting angle to consider. According to published reports, Treasury Secretary Timothy Geithner received $411,200 per year as salary for serving as NY Fed President, which is pretty sweet for a government employee. That is more than Pres. Obama gets, and is the highest of any of the 12 regional Federal Reserve Bank presidents. But Geithner also got a severance payment totaling $434,668 when he left the NY Fed to take the Treasury Secretary job. See

http://tinyurl.com/aesjys
Fair's fair. The NY Fed failed to provide adequate liquidity to the market last year, as is its mandate, and that was a big part of the financial collapse. So was Geithner's bungling of the Lehman Brothers collapse. Why should Geithner get a bonus for his work at the NY Fed? The NY Fed was the conduit for TARP funds, so it clearly "received" TARP funds. That should qualify Geithner for this 90% tax, depending on the actual wording of the bill.

I wonder if this is why the Treasury Department pushed for that bonus loophole. That's right, according to reports from CNN, Geithner and his staff were the ones seeking to insure that bonus payments would get exempted from scrutiny when the stimulus bill (which nobody actually seems to have read) was passed. See

http://tinyurl.com/daayqu
If you'd like to experience some further outrage, you can see how much we spend on the overall Federal Reserve System, including reserve bank presidents' salaries, by visiting
http://tinyurl.com/d5fmt6. That takes you to a page on the Federal Reserve's own web site, showing salary spending for fiscal year 2007.

I remain convinced that the Senate in January should have set aside the issue of approving Timothy Geithner's appointment as Treasury Secretary until after Congress had dealt with the question of whether he should have been impeached from his job as NY Fed president for horrible job performance. Not that I'm bitter...

Dow 10,000 or 5000?

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There's not a whole lot more to comment on, market wise, that I haven't already said over the past few weeks. When the stock market rally begin on March 9, I was not convinced that it was the real deal. I wanted to see what volume, the horsepower of
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the market, looked like, as well as which groups would lead and just how many would participate.

It wasn't long before we had solid confirmation that this was not your run of the mill bear market bounce that would soon peter out. Record volume was seen at the low and subsequent explosive move higher with historic pessimism from investors and a surge in buying by corporate insiders.

Daily behavior changed dramatically with weaker openings and very powerful closes, exactly the opposite of what we've seen for a long time. Rallies began to be bought, rather than sold into and that shouldn't change overnight.

Couple all that with the expected takeoff from the most beaten down sectors and you have the ingredients for an intermediate-term rally. It's been fast and furious with little in the way of pullback to allow folks to comfortably get onboard. And that's common behavior for any embryonic rally in bull and bear markets. They never make it easy!

I also said that if the major indices continue to push higher unabated, I would be one of those folks more than willing to feed the hungry wolves with my positions. And that's pretty much how it's shaken out. We've definitely pared back in the strategies that had a lot of longs for a shorter-term trade.

I remain confident that this rally will be the most significant of 2009 and should reach at least 9000, if not higher, before rolling over again. But that's getting way ahead of ourselves. For now, the market has risen roughly 20% since the bottom and it's certainly due for a pause to refresh at this level or even a few percent higher if it gets there.

Until proven otherwise, declines can be bought and should be supported well into the warmer months. After this first leg of the big rally if officially over, the bears should come back out in full force, calling for new stock market lows, as the economic numbers aren't supporting the higher equity prices. That rhetoric should set the stage for another leg to higher highs than we are putting in now.

With the Dow's bear market low so far at roughly 6500, I don't think we'll see that figure any time in the near future. But that doesn't mean you should be complacent either and expect to see new highs any year soon! This first pullback should hold comfortably above 7000, a number I will update when the consolidation gets going.

Turning to gold, I remain negative on the metal and positive on the rest of the commodity complex, a position that's been very successful since I discussed it on CNBC last month.

Those of you who invested in my strategy to hedge energy costs should feel a little better after watching energy prices begin to reassert themselves over the past few weeks. I am VERY concerned that energy prices are just beginning to embark on their biggest rally since the bubble burst last July. Very quietly, wholesale crude oil, heating oil and gas have rallied 35% to almost 100% in short order and no one's really worried or talking about it. That terrifies me!

After the next pullback in energy in April, I fully expect a more significant upward assault that garners a lot of attention in the media. People are going to shake their heads in disbelief at just how far energy has come in such a short period of time!

Sunday Morning TV

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I am going to be on WTNH (ABC in CT) this Sunday, March 29th at 7:20am discussing what investors should do now, given the massive stimulus, Fed intervention and recent powerful rally in stocks.

Assuming, Obama, Bernanke and Geithner don't preempt me, I am going to be on CNBC's The Call on April 6th between 11:05am and 11:20am. For you sports fans, that's the same date as the NCAA Men's basketball final at 9pm. While I will root as hard as anyone for UCONN, I don't expect my team to be there that night.

I am also going to be on CNBC Worldwide on April 23rd and May 26th at 5:30am.

You can view most of the past segments by clicking below.

Media Appearances

Tax Time

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Just a reminder that tax time is just around the corner. If you have NOT received 1099s and cost basis reports for taxable accounts, please let us know as soon as possible. You can also instruct and permit us to work with your CPA to get him/her the information needed to complete your return.

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

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