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The Tally Is In...GM Should Have Been Left Alone

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First, I want to apologize to those who woke up and attempted to watch me on Saturday morning. I received an email in the middle of the night that the schedule at WTNH had some conflicts, so my segment was going to be rescheduled.

In last week's issue, I included 7 links in the email, some personal and others professional. What I found so incredible was that the [\*\*Father's Day\*\*](#) link was clicked on more than all of the others, COMBINED. And that "research" continues to support what I found in my business. The vast majority of my clients put family at or near the top of their priority list.

Before you quickly think that everyone does that, I can factually argue against that notion. In fact, some prospects will flat out tell me during our first meeting that family is completely unimportant to them. And I am never surprised when that person decides not hire me since family is at the top of my list.

In the past two issues, I had a quick survey regarding the Obama administration's

efforts regarding GM. For the record, unlike most other topics, I think I kept my big mouth shut until the survey was over. Let me spend some time sharing the results as I think there is a bigger picture message here than just GM.

80% responded that GM should NOT have been saved. Comments ranged from *"let it go out"* to *"it was a union payoff"* to *"it was not saved"*. That really surprised me as I thought it was going to be closer to 50/50.

The question whether GM now had a competitive advantage over Ford was split roughly 50/50, pretty much as I thought.

82% felt that the government was overstepping their bounds in taking major stakes in public companies. I was thankful to read that!

Only 22% were in favor of Obama getting involved with small companies. Comments ranged from *"they should be more small business friendly"* to *"TARP should have helped small business ability to borrow"*.

While only 23% favored requiring all employers to provide health insurance to all employees, the comments were clearly from the minority camp, and there were lots!

*"should be universal coverage"*

*"if a reasonable plan existed. current costs are virtually prohibitive"*

"

*I think that your government should have employers provide health cover for two reasons firstly, some not all, companies have been supported financially by the government and as a result they should help not just the government (by helping to reduce the cost of ensuring that everyone has health care) but also main street by taking the burden out of worrying if they have health coverage, which would go towards reducing the feeling of resentment towards those companies which have taken main streets money and used it to fix companies mistakes."*

*"capitalism isn't taking care of the country. government must mandate"*

At least from this semi scientific survey, it's clear that my readers want less intervention and more free market economics, which is something you would expect from investment folks.

I thought it was despicable how GM bondholders (the folks who actually owned the company) were treated. How can any entity, let alone a democratically elected government, decide who should get what in a bankruptcy? It set one of the worst precedents, and there have been plenty the past 15 years, in the history of the markets. I pray this ends up an isolated case that's never seen again, but the odds do not favor that.

Just this past week, CIT Group was on the verge of failing, but Uncle Sam decided it was not going to save it. Although I agreed with that decision and it led to bondholders coming to the rescue of the company, if it was Wells Fargo or American Express, you bet that Timmy Geithner and Bernanke would have cast them the lift jacket. And therein lies the still existing problem. The government should not play omnipotent ruler with the ability to say "yay" or nay" on an entity's survival. That's supposedly why we have a free market.

With the midterm elections only 16 months away, the political rhetoric should be heating up after the summer break!

## Onward And Upward

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Boy, it's amazing what a difference just one week makes! The talking heads went from calling the end of the rally, head and shoulders tops, green weeds to all is well in the world, recession is over and a new bull market has spawned.

I want to repeat some of my comments from last issue below in italics. The fresh comments will follow after that.

You're probably thinking, "Is the rally over? Are we on the verge of collapse again?" My two cents is definitely no. This is all normal and healthy behavior, so far. The best and most recent example is the 2002-2003 when stocks were transitioning from a serious bear market to neutral and then new bull market.

From March to mid June 2003, we saw the major indices in strong rally mode, just like this year. And then they just seemed to slowly die for two months. During that period, market internals weakened substantially and many folks saw a double dip recession coming with much lower prices for stocks ahead.

But after that period of digestion following the huge meal (rally), the stock market resumed its bull run straight through to January 2004. Now, I don't want you to think that all markets repeat. Because they don't. They often like to rhyme. And the foundation of the financial system is much different today than it was in 2003, but human emotion doesn't change. It's the same as it was yesterday, last week, last month, last year, last decade and last century.

While the similarities to the 2003 period remain, for now, you can also make valid comparisons to 1938, 1932 and even back to 1906-'07. They all offer a guide, but it gets dangerous when we get too close and use them as a GPS.

The bottom line is that the stock is now digesting the meal it had from March to mid

June. When it's ready to eat again, sometime between now and the end of August, I fully expect another leg of the rally to see at least Dow 9000. As I discussed before, that rally will likely be much more selective than the previous "rising tide lifting all ships", meaning that certain sectors will lead the market higher, while others tread water or actually decline.

Almost all of those comments are generally applicable today. To be fair, I actually thought the pullback would last a bit longer before taking off for 9000. But my bottom line remains the same. The Dow should be heading to 9000 in the new few weeks with 10,000 a likely target later this quarter or early next. The key now is to position portfolios appropriately and take advantage!

The comparison to 2003, for now, remains valid. As the Dow and other major indices approach the levels seen in June, we should expect another quick period of digestion before zooming higher. It is becoming very interesting to watch which groups are strong on up days and weak on down days. That should clue us in as to leadership for this next leg on the upside.

To Clarify...

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Of all the things I have written about lately, it seems like I remain alone in the positive dollar camp. I have had more calls from the media and more comments from the gold bugs than any other topic in the past few months. I am not sure why it's such a hot issue.

I want to make a few comments that really apply to everything we do at Heritage Capital, but are particularly germane here.

Nothing has changed in my forecast for gold sub \$900 then lower, or a big rally in the dollar. However, along the way, there will be times when we position for a counter trend move, like we are now. Recently, the dollar began to set up as if it wanted to move lower first and as part of our Global Asset Allocation Program, we bought the euro and yen using exchange traded funds (ETFs). While that doesn't change my longer-term forecast, an opportunity presented itself for our clients and we took advantage of it. Will it work out? The odds favor it, but really, time will tell.

As far as gold goes, we had the same situation last Monday, the 13th. An opportunity presented itself to make some money owning shares in gold and silver mining companies in our Short-Term Gold Program. Just because we believe gold will ultimately head a lot lower doesn't mean we can't and won't try to make money on the upside. I think that's crazy to ignore opportunities.

In the end, I'd MUCH rather make money for my clients than be right!

FYI, there's no change in our take on energy. I could not be more neutral. But treasury bonds are close to putting in a trading low and should attempt a rally very soon.

## Investment Quotes To Live By

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I had so many positive comments after the piece I posted from a client on socialism, etc. that I decided to leave a running list of investment quotes to live by. Since I don't know where some originated, feel free to hit REPLY and let me know.

"When in doubt, get out!"

"If it's obvious, it's obviously wrong."

-Joe Granville

"It's ok to be wrong, but it's not ok to stay wrong."

"This time is different."

"The markets require the patience of a dozen men."

-Robert Rhea

"Luck is the residue of effort."

"You cannot legislate the poor into freedom by legislating the wealthy out of freedom. What one person receives without working for, another person must work for without receiving. The government cannot give to anybody anything that the government does not first take from somebody else. When half of the people get the idea that they do not have to work because the other half is going to take care of them, and when the other half gets the idea that it does no good to work because somebody else is going to get what they work for, that my dear friend, is about the end of any nation. You cannot multiply wealth by dividing it."

~~~~~ Dr. Adrian Rogers, 1931

## Upcoming TV Appearances

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CNBC's Worldwide Exchange - August 6 at 5:30am

CNBC's Worldwide Exchange - September 15 at 5:30am

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

Media Appearances

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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