



**October 4, 2009**

**11:33 AM EDT**

## **Inside this issue**

[The 4th Turning](#)

[The Roadmap for October](#)

[Storms Brewing for the Stock Market](#)

[More of YOUR Comments On Healthcare Reform](#)

[Investment Quotes To Live By](#)

[Upcoming TV Appearances](#)

[Friends And Family Plan](#)

## **The 4th Turning**

~~~~~

FYI, on Tuesday at 4:00 PM I am participating in a webinar panel entitled, "Do non-traditional ETFs belong in client portfolios". For more information, please scroll down to the media section.

As I sit here on Sunday morning collecting my thoughts and deciding which pieces to include today, the sun is shining brightly through the trees; the leaves have been turning with many on the ground already from last night's wicked storms. Fall is here with comfortable days and cool nights. The prettiest time in New England!

It's the perfect day to go pick apples at **Lyman Orchards**, our home away from home with the kids and some friends coming down from Vermont. Happy Birthday Susan! And for those of you wondering, there's less than 50 days left until ski season begins! It could be as soon as 40 if we're lucky. Sorry to those of you who hate the cold and winter.

Anyway, as the seasons change, so do economies, markets and political systems. Over the summer, my good friend, John McClure, called and strongly urged me to read a book. John's a straight shooter who usually leans towards the bearish side on really big picture things, so I assumed it was something that wasn't warm and fuzzy.

The book, *The Fourth Turning*, was a hard read, although almost anything is hard for me to read! I'll spend some time later this fall talking about it, but I came across a published excerpt that is worth a few minutes to look at. You can click on the link below to read about **some pretty unbelievable, very long-term research on civilization.**

## **The Roadmap for October**

~~~~~

In the previous issue, **Another October Crash**, I discussed my concerns that the bull rally we've seen since March was about to enter its strongest "window of opportunity" for a significant correction. I go into more detail in the next article just below this one. And so far, that seems to be the path we're on.

The market peaked on schedule in late September, its internal or momentum high, and fell roughly 5% to Friday's employment induced weak opening. I guess in the absolute strongest of bull runs that would be enough for another multi month leg higher, but I don't think we're there since most folks haven't even started worrying yet.

Rather, as I said in the last issue, we should see a short-term rally to a secondary peak sometime mid month before falling much harder in late October to early November. That's a pretty definite forecast, but the market has a habit of throwing the much needed curve balls in most plans!

If that roadmap holds, we're about to see the stock market try "one last gasp rally attempt that fails to really ignite prices higher." With the biggest economic report of the month out of the way, the rally should have either already started at Friday's open or will do so early this week as the market prepares for earnings season to begin with Alcoa.

I'll be keeping a close eye on volume, which is considered to be the horsepower of the market's engine. Also, it will be very telling to see not only which sectors are leading during the rally, but which ones don't rally at all. Finally, and maybe most importantly, if investors embrace the rally and become even more positive than they have been, I will seriously worry that we're headed to the lower end of my target, down 17% before Thanksgiving.

But we have plenty of time to discuss whatever the market throws us in the coming weeks, including the possibility that a rally doesn't even materialize, something that

could be even more bearish than I allow for this quarter.

As far as other asset classes go, my opinions remain the same as they've been. We've been generally positive on treasuries and the dollar, while negative on gold. If stocks see a rally, I fully expect gold to rally with treasuries and the dollar going down, temporarily. But that will not alter my stance that the dollar explodes higher as gold falls under intense pressure later this month and into November.

Stay tuned and feel free to email by hitting REPLY or call the office at 203.389.3553 with any questions or comments.

## Storms Brewing for the Stock Market

~~~~~

The following article was written for the New Haven Register's financial blog, which I will be contributing to at least weekly. Please click on the link below to read.

## Storms Brewing for the Stock Market

## More of YOUR Comments On Healthcare Reform

~~~~~

Last month, I spent some time discussing **Healthcare Reform**. The response was overwhelming and they are still coming in. I devoted a whole section to some of your comments in the previous issue and I decided to post some more today.

"Being an outside looking in, here in England, America is portrayed as 'land of the free' and the 'American dream' so your expected to have the best, but an NHS/PHS isn't, the financial disadvantages, the patient that gets missed, the infections that have riddled our hospitals for the past few years, as cuts have been made to help reduce the debt... To go back to my point of knowing the NHS/PHS is there, that's part of the problem, people in this country know that's its there... You said, "If they love a giant bureaucratic, government run health care system, then they should be forced to be on the same plan.", however that wouldn't be the case, because as over here, celebrities, politicians etc don't use the NHS, they use private health care, because the national health care is so over overwhelmingly in debt and in such a bad state, its not suitable for them."

"I agree that our Gov't is paralyzed in its ability to work together to formulate policies that will help the American public. It is abundantly clear that the Lobbyists influence decisions to maintain the status quo to their own benefit. I am also insulted by Congressmen who lack respect for the office of the presidency. Ones who cry out "you lie" or others that are texting on their cell phones while the President is speaking.

Healthcare has been ruined by Insurance companies as they have gotten between the relationships that the doctor has with his patients and prevent the doctor from controlling costs depending on the pts' means. In the end, despite all opposition, some degree of rationing of care will be necessary to control costs. Unfortunately, I

don't see the gov't's role in understanding what's important and what is not. Oregon once set up guidelines for individuals who would be candidates for liver transplants. For example, alcoholics were not on that list. These are tough decisions, but necessary ones to remain solvent."

"I share your frustration and for the first time feel truly disheartened by how our government has failed us. I was full of hope that Obama would lead on critical issues of our Nation like energy independence, healthcare, our standing in the world. Unfortunately he is steadily losing the mandate that the voters gave him. I'm frustrated at the lack of alternatives in regard to our Leadership options. A beneficent communist system with capitalism is looking increasingly appealing. China is now building a 25 sq. mile solar farm. Isn't that what we should be doing?"

"We do not need to reform "health care", we have the best health care in the world. We need to change how we pay for it. The present problem arose when physicians started to accept third party reimbursement; way too many layers between consumer and provider. We are however way too far into the woods now to change that in any simple fashion. To find a solution however we need to frame the question, the problem if you will, properly, accurately. We need to change the way we pay for it. Unfortunately very few people understand how Doctors get paid for their services and that includes Doctors. Before a solution can be found that needs to be addressed."

As you might expect, the Canadians say they like their health care system, but they admit it falls short when certain procedures that are performed quickly in the USA require waiting in Canada for weeks, months, and even more than a year. We all know that personal taxes are high in Canada, mainly to finance their social and health programs, and I'm not so sure they pay any less than we Americans do through private insurers once you look at comparable expenses. Based on what I've read, it appears the Obama administration wants to impose on the USA a system that has the major flaws of the Canadian system ... rationing of expensive procedures, probable long waits for controlled procedures, and, inevitably, higher taxes to support health care that would be inferior to what many Americans now have. Let me say that in all of this debate, I still am not a believer that the federal government has any constitutional role in ensuring health care for everyone. The Constitution calls for the right of everyone to life, liberty and the pursuit of happiness ... it does not guarantee them happiness, a subset of which one might argue is good health. This idea of guarantees ... aka entitlements ... is a political fiction created by ideologues and partisans as a ploy to gain greater and lasting power. Unfortunately, the fine example of our first President in walking away from guaranteed reelection and thus greater power has been forgotten by elected officials in recent years... Also, in my opinion, to put the screws to US medical practices without also addressing US tort reform would create a national disaster. Other countries that have government-run health care do not suffer from an unrestrained, ambulance-chasing legal class of the kind that has gotten out of control in the USA. And their systems are expensive. Imagine a US system where law suits would continue unabated, and the ultimate payer of outlandish awards would be ... yes, the US taxpayer! How efficient and cost-controlled would that be?"

"It's amazing that over the long-term, we (our country) seem to ebb and flow between big, hands on government and smaller, laissez faire government.'

The above quote is the real issue - because we are so polarized as a nation on certain basic tenants and attach a RELIGIOUS like fervor to it ( which as we know ultimately leads to poor outcomes- history has shown that) , we swing from having too little government oversight to too much- we are in the midst of this pendulum overshoot

once again. We truly need a third party- one that is practical, balanced, pragmatic- made of conservative Democrats, Liberal Republicans, and Independents -to further polarize the far right and far left, who are both preventing this country from engaging in vigorous respectful debate , resolution and implementation"

"Your analogy seems flawed here.. You can choose NOT to buy a car, because you don't have to drive. We all get that. But if you do buy a car, or a home, you MUST purchase insurance- this is not controversial most places in the world because it protects the person and protects society from each other. Since you own life just being alive (analogous to already owning a car) it is sensible to require everyone to own health insurance because it would be immoral to prevent people from getting treatment in an emergency ward or other means if they need attention and unfair not to have everyone pay a fair share to be covered for such things. This is a practical fair tenet of society understood by so many modern and emerging nations around the world except maybe the United States."

"Finally, I don't like the public option either- BUT we have to solve WHY it is suggested and aim our anger and emotion at the PROPER target . Both those against and for a public option should be more outraged about what has caused it t, namely the arcane Federal, State, regulatory and other medieval frameworks that have led to monopolistic practices in many parts of the country leading to higher prices , denied coverage, and poor service."

"We pay doctors, hospitals for routines and tests, not outcomes. I have gone in with a chest pain and the doctor wants to give me an EKG in the office (\$100), a 24 hour monitor to wear for 48 hours (\$800), an echocardiogram (\$3,000) , and a nuclear stress test. I think the last test costs about \$8,000 because nine or so people from family doctors to nurses to cardiologists to physical trainers get in on the act. All four tests were sure to be given. I took the stress test only. Clear as crystal, TG. No advice on exercise, diet, reducing possible stressors. I discovered by just paying attention that I had a little acid reflux from eating too much raw vegetables and fruits... Where is the discussion about 47 million uninsured plus millions underinsured in our country? Why is our infant mortality rate so high? We rank #50 of 230 countries behind every EEC country, Canada, Australia, several Eastern European Countries and former Soviet Republics

<http://www.prb.org/Datafinder/Topic/Bar.aspx?sort=v&order=d&variable=28>

Why are we #38 of 195 in life expectancy while the cost of care is 2x the average of EEC countries?

<http://www.disabled-world.com/calculators-charts/life-expectancy-statistics.php>

<http://www.infoplease.com/ipa/A0934556.html> "

## **Investment Quotes/Adages To Live By**

~~~~~

"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."

"The most bullish thing a market can do is go up in the face of bad news."

"The most bearish thing a market can do is go down in the face of good news."

"The market can stay irrational longer than you can stay solvent."

-John Maynard Keynes

"Government is best which governs least" - Thomas Jefferson

Inflation is the one form of taxation that can be imposed without legislation.

-Milton Friedman

"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

"Bear markets seem to be divided into three phases: the first being the abandonment of hopes upon which the final uprush of the preceding bull market was predicted; the second, the reflection of decreased earnings power and reduction of dividends, and the third representing distressed liquidation of securities which must be sold to meet living expenses. Each of these phases seems to be divided by a secondary reaction which is

often erroneously assumed to be the beginning of a bull market."

- Robert Rhea via Tim Woods

"Free enterprise is a rough and competitive game. Nobody too big to fail. Nobody too small to succeed. It is a hell of a lot better than government control." - Ronald Reagan via Dan Kennedy

"A government big enough to give you everything you want is big enough to take everything you have." - Gerald Ford via Dan Kennedy

## Upcoming TV Appearances

~~~~~

Investment News' financial advisor webinar [Do non-traditional ETFs belong in client portfolios?](#) - October 6 at 4:00pm

CNBC's Worldwide Exchange - October 20 at 5:30am

WTNH's (ABC in CT) Good Morning CT - November 22 at 7:25am

CNBC's Worldwide Exchange - November 25 at 5:30am

CNBC's Worldwide Exchange - December 24 at 5:30am

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

## Media Appearances

### Friends And Family Plan

~~~~~

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.

## 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](http://www.InvestForTomorrow.com)**

Published by Paul Schatz. Copyright (C) 2008 Heritage Capital, LLC. All rights reserved.

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](http://www.InvestForTomorrow.com)

Heritage Capital, LLC is an independent RIA not associated with any financial institution. Data used in this publication is gathered from reliable sources, although completeness and accuracy cannot be guaranteed. Performance results do not take into account any tax consequences and are not predictive of future results. This publication does not give any specific investment advice, does not provide financial planning services, or consider any individual's financial situation, needs or goals. This publication may not be reproduced or retransmitted in whole or in part without the consent of the author, Paul Schatz.

### Important Disclosure Information

Heritage Capital LLC ("Heritage") composite performance results represent time-weighted actual performance results for continuously managed Heritage accounts, which individual accounts Heritage believes to be representative of its investment management process (i.e. mutual funds and exchange traded funds) for each specific strategy during the corresponding time period. The composite performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, and the separate fees assessed directly by each unaffiliated mutual fund and exchange traded fund holding that comprised each account, and the maximum investment advisory fee that the accounts would have incurred (by applying the Heritage's current investment advisory fee of 2.00% as set forth in its current written disclosure statement) during the corresponding time periods.

Please Note: Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, equal the performance results reflected, or equal any corresponding historical benchmark index. The historical index performance results for all historical benchmark indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical performance results for all indices are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a Heritage program meets, or continues to meet, his/her investment objective(s). A corresponding description of each index is available from Heritage upon request. It should not be assumed that Heritage account holdings will correspond directly to any such comparative benchmark index. The Heritage performance results do not reflect the impact of taxes.

For reasons including variances in the investment management fee incurred, market fluctuation, the date on which a client engaged Heritage's investment management services, and any account contributions or withdrawals, the performance of a specific Heritage client's account may have varied substantially from the indicated portfolio performance results.

In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise Heritage immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by Heritage) will be profitable.

Information pertaining to Heritage's advisory operations, services, and fees is set forth in Heritage's current disclosure statement, a copy of which is available from Heritage upon request. Performance results have been compiled solely by Heritage, are unaudited, and have not been independently verified. Heritage maintains all information supporting the performance results in accordance with regulatory requirements.



