



October 14, 2009

3:47 PM EDT

Inside this issue

[So Far So Good... What's Next?](#)

[The Rush to Buy GOLD, GOLD, GOLD!](#)

[Final Comments from YOU on Healthcare Reform](#)

[Investment Quotes To Live By](#)

[Upcoming TV Appearances](#)

[Friends And Family Plan](#)

So Far So Good... What's Next?

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Do you feel good now that the Dow has rallied all the way back to 10,000? Before answering, that's the same level it was at 10 years ago, so the answer really depends on your perspective, doesn't it? For me, 10,000 is just another number, but since it's a big, round number, the media will no doubt make it into a big deal. Like something magical is going on in the financial markets.

One thing is for sure, I do love it when the markets stroke my ego! It doesn't happen nearly enough so I have to enjoy while it's here! This past March and April, I went on record (feel free to **Click Here** to see) that the Dow would hit 9000 and then 10,000 as the world stared into the abyss. And most media comments from then on were to buy weakness and sell strength. As Hannibal from the old TV show The A Team used to say, "don't you just love when a plan comes together!"

And I have to laugh now that everyone I see and hear tells me they thought the same thing. My feeling was that stocks were on the verge of the largest and longest rally of the bear market and that would catch most people by surprise, except those, of course, who held on the entire way down, prayed things would get better sooner or

later and convinced themselves that the stock would rally.

I cannot imagine having to sit through losses of 50%+ with apparently no end in sight. And all those "experts" who kept telling their clients to "sit tight", "stay the course", "everything will be fine" from Dow 14,000 to 10,000 to 8,000 and 6,500.

But once the rally got started, it was like trying to stop a stampede of buffalos! And believe me, I tried a few times, unsuccessfully! So now, the long standing target has been hit, everyone is celebrating so we must be back to "normal". Right? No so fast.

Last month, I began to describe a potential path for the stock market to see its largest correction since the rally began in March. The first ingredient was a minor pullback, which came in on schedule in late September and early October. After that I thought *"we should see a short-term rally to a secondary peak sometime mid month before falling much harder in late October to early November"*.

For a while, I've been targeting this week, October 12-16, for the top to be put in before the real decline began. So far, the market has cooperated with the roadmap, having rallied nicely from the October 2 low right into this week, where we are seeing continued strength from Intel's and JP Morgan's earnings.

Let me add a few comments and answer some questions I received via email. There are a number of reasons that this week looked like a potential peak. First, a few trading cycles top out by Friday. Second, it's options expiration week, where monthly options stop trading and the week generally follows the previous trend of market with a reversal afterwards.

Finally, markets typically peak on good news, especially key earnings and economic numbers. With Intel and JP Morgan today and the market's reaction, it certainly makes us riper for a pullback, although it looks like the major indices could still push another 1-2% higher first.

The other reasons for a correction I've mentioned over the past month have not changed. Sentiment remains very positive on stocks and that's usually wrong at extremes. Similarly, small time option traders, a group without a good history of being right, are feeling very good about the market's prospects.

Sector leadership from technology, homebuilders, biotech and industrials is showing some small cracks in the pavement, although not as bad as it should be at this point. And volume, which is the horsepower of the market's engine, is not exploding higher with the market.

**So, the market pulled back in late September and has rallied as forecasted into this week where a peak is seen. It's "supposed" to pause shortly and at least digest after the strength, if not correct even more. But the quality of the**

**rally has me a little less convinced that something big is on the horizon. And until we see what the first bout of weakness looks like, it's hard to offer much more.**

Stay tuned! It should get interesting next week!! Feel free to email by hitting REPLY or call the office at 203.389.3553 with any questions or comments.

## **The Rush to Buy GOLD, GOLD, GOLD**

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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.

[The Rush to Buy GOLD, GOLD, GOLD!](#)

Final Comments from YOU on Healthcare Reform

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(1) health care costs are rising everywhere

Could it be related to something as simple as this... an aging population in which health care costs increase with age?

If the government runs Medicare and Medicaid why are there so many areas of waste and fraud to cut out. Does this imply anything with respect to its ability to run a brand new public health program?

Why do the bills before the House and Senate include massive subsidies of union interests, a group that represents roughly 12.4% of the 138.5 million U.S. workforce, or less than 5.7% of the population?

The House bill has a \$10 billion provision to bail out insolvent union health-care plans. It also creates a lucrative professional-development grant program for health-care workers that effectively blackballs nonunion medical facilities from participation. The training funds in this program must be administered jointly with a labor organizationa scenario not unlike the U.S. Department of Labor's grants for construction apprenticeship programs, which have turned into a cash cow for construction industry union officials on the order of hundreds of millions of dollars each year.

Senate Finance Committee Chairman Max Baucus has suggested that the federal government could pay for health-care reform by taxing American workers' existing health-care benefitsbut he would exempt union-negotiated health-care plans.

Source: WSJ - Read the Union Health-Care Label, Get ready for Detroit-style labor relations in our hospitals. By MARK MIX

Why the myth about health care not covering illegal immigrants? By law, hospitals are required to treat anyone who comes to an emergency room regardless of legal status. Besides, these people make up a major part of Obama's statistic about Americans without health care.

Poor health is more often than not a result of personal choice. Study by National Health Information Practice, Hewitt Associates, Lincolnshire, IL 60069, USA found that Individuals who had submitted at least one medical claim related to lifestyle issues, for the non-management population accounted for 60 percent of all medical claimants and 72 percent of total medical payments. Lifestyle factors such as physical activity, dietary habits, smoking, alcohol use and of body fat are associated with risk of new-onset diabetes. The list goes on.

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

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"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

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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

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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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