December 18, 2009

10:00AM EST

Inside this issue

Greed & Arrogance Are Back

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First, I was invited to teach a small class at Gateway Community College in New Haven on the investing topic of my choice. It's very late notice and the class begins in early January. I've initially titled it,**TOP 5 Secrets to Growing Your Money Safely and Wisely in the New Economy**. You can click on this link to learn more. **Class Sign Up**

For those of you who emailed asking what happened to me on CNBC on Monday, the presidential jinx continued as Obama preempted my segment with his meeting with the various bank CEOs. And even if he didn't put the hex on me, Exxon Mobil's acquisition announcement would have. That's the problem with booking anything on a Monday. You have two weekend days for news of the moment to build. In 2008, Bush and Paulson would routinely hold press conferences on Monday morning, thereby sending me packing!

FYI, I will be on CNBC's International Exchange December 24 from 5:30am - 5:55am. Hopefully, we will have the links posted **Here** by the end of the day. If
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not, for sure on the 26th. I will also be on CNBC's Squawk Box at 6:10am on the 28th. There's a lot of media booked in the next month so please scroll down to the second to last section if you are interested.

It's been a while since I last ranted about anything, so clearly I am due. And the government's allowing the big banks to pay back TARP money is all the ammunition I needed to get me going. I think it is asinine, absurd, ludicrous, stupid, short-sighted and just plain wrong! How's that? Now I feel a little better.

Who do the banks really think they are fooling? All of a sudden, the toxic garbage they are inundated with is somehow in good shape? And because they may have marked these assets up, we should now believe that their capital bases are healed and good to go? Sure thing. And I'm the king of England.

We've made some bad decisions this decade, but this ranks right up there with allowing the investment banks to lever 40 times. Think about it this way. what's the upside for the government, taxpayer and financial system? We get the money back in the treasury's coffers now.

And the downside? The free and easy money tsunami comes to an end in 2010. Markets top out and the economy rolls over into another recession as commercial real estate or some other crisis unfolds. Banks' capital base are decimated, again, but there's no money available to stem the tide. The Fed and/or Treasury will not and cannot come to the rescue again and still stand by their pledge of no more "too big to fail".

Then they will all wish they hadn't repaid their TARP funds. And let's all call a spade a spade. The only reason the banks want to get out from under TARP is so they can better control their compensation structures. In plain terms, greed has returned! I would be very (and pleasantly)surprised if the banks aren't in trouble again by 2011 or 2012. The Fed and Treasury used up an awful lot of ammunition in 2008 and 2009, and won't have had time to resupply their arsenal.

As always, feel free to email by hitting REPLY or call the office at 203.389.3553 with any questions or comments.

Obama & Hoover Together

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Keeping on the same banking topic, how many times do we have to listen to President Obama beg, plead and demand that the banks increase their lending? If they didn't do it with taxpayer money (TARP), why on earth does he think they are going to oblige from their pockets? He can scream and bang his fist as loud as he wants, but by allowing the big banks to repay TARP, he just lost the major hammer he had.
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It reminds me of the story from the Hoover administration in early 1930 after the Great Crash of 1929. Supposedly, Hoover called all of the major bank heads to Washington along with all of the captains of industry for a meeting. In no uncertain terms, he implored them to lend money, spend money, borrow money, hire workers and expand. He said everything would be fine if they stayed the course.

Coming directly from the president, Hoover hoped they would heed his "warning" and remain business as usual. But when the meeting ended, the group left the White House and had a very different reaction. They couldn't believe what they heard.

For a sitting president to go to these lengths, the group knew the economy was far worse than even they imagined. And as you can guess, they immediately stopped lending, spending, borrowing, hiring and expanding. The Great Depression was here.

Ben Bernanke... Person Of The Year!

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As you already know, I contribute to the New Haven Register's Fi$cally Fit blog every Friday. Thankfully, my good friend, Angi Carter, and her Cracker Jack tech staff have been able to add my charts and graphs to the posting, something I have failed to do in this newsletter. (That's one of my New Year's resolutions)

Today's entry was a fun piece written about Time magazine's controversial choice for Person of the Year, Federal Reserve Chairman, Ben Bernanke. I strongly encourage you to click on the link below and see why this "award" could potentially be an ominous sign for the economy and stock market! As always, I look forward to your comments.

Bailout Ben... Savior of the Year

***I just noticed from the **Fed's Website** that they've gone back to some two day meetings and some single day ones in 2010, clearly signaling that the crisis is over from their standpoint. Now I'm worried again!

Year-End Games

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As we approach year-end, there are always "tricks and games" to be aware of in the financial markets as traders and portfolio managers square up their books and close the year early or use the lull in liquidity to play some games that ordinarily wouldn't fly.

Tax loss selling is common among investors this time of year as they seek to sell losing positions for the potential tax write off or equal out winners and losers. This is usually more pronounced when the market has a September/October correction or has been in a downtrend for most of the year.

What's different this year is that we all know the capital gains tax will be rising in the years ahead, whether that begins at some point in 2010 or for the start of 2011. So some investors are seeking to take whatever gains they have in 2009 for a known tax rate versus waiting until next year with uncertainty.

The January Effect is also a popular short-term trading strategy. It is interpreted two ways. One is that small cap stocks tend to outperform their large cap brethren in January. This can easily be accomplished by either buying a small cap index ETF or mutual fund. Additionally, a bit more complex, an investor can buy the aforementioned ETF or mutual fund and sell short an equal amount of a large cap index ETF or mutual fund.

The other January Effect trade involves buying beaten down stocks that make new 52 week lows in the fourth quarter. The key here is to make sure the stocks trade enough volume that the institutional players will be able to buy them in early January as well as confirming each company has sufficient cash to last them well into 2010. This trend typically performs better with either a September/October market correction or downtrend lasting most of the year.

Finally, the January Barometer, made famous by Yale Hirsch of Stock Traders Almanac fame, simply says as goes the month of January, so goes the whole year. Over the years, Yale and his son Jeff created the early warning January Barometer, which says as goes the first five trading days of the year, so goes the rest of the year. You can learn more by Googleing or buying their book from Amazon.

Stocks are now entering an extremely bullish time of year. Depending on which index you use and what time period, the stock market has a roughly 75% chance of heading higher to year-end. Conspiracy theorists would argue that the decline we saw today (Thursday) was nothing more than manipulation to allow smart money to buy stocks at cheaper levels for an easy trade.

While I don't buy it, that would be interesting to see the market close at its low today and then head sharply higher from Friday to the end of the year. We'll see, but that coincidence would be "curious". If I publish something next week, I'll share some of my own end of year trends that have worked well for a long period of time.

Investment Quotes/Adages To Live By

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"When in doubt, get out!"
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"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 Keyes

"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

"The problem with socialism is that, sooner or later, you run out of other people's money." - Margaret Thatcher via Casey Research

Upcoming TV Appearances

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

CNBC's Squawk Box - December 28 at 6:10am

WTNH's (ABC in CT) Good Morning CT - January 3 at 7:20am

CNBC's The Call - January 5 at 11:10am

CNBC's Worldwide Exchange - January 28 at 5:30am

CNBC's Worldwide Exchange - February 11 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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