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Inside this issue

[My "Screwy" Text Message](#)

[Sell Rosh Hashanah... Buy Yom Kippur](#)

[Obama Throws The Hail Mary](#)

[Explode Higher or Implode Lower](#)

[Upcoming TV Appearances](#)

[Investment Quotes To Live By](#)

[Friends And Family Plan](#)

My "Screwy" Text Message

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In the endless stream of head shakers from my family, I was sitting at a non profit board meeting last week when my phone buzzed with a text message from my wife. Figuring it was one of those, "we need milk" texts, I impatiently clicked to read the following message:

*Your son had a screw lodged up his nose, so far, I could barely see it. Managed to remove it with tweezers but it wasn't ez. Will call Zelson (doctor) if bleeding doesn't stop. Who does he take after?!?!*

My other two kids weren't climbers. No daredevils. Could turn your head. The little guy is all boy. Already had stitches above his eye. Decided he was done with his crib so he climbed out, opened his door, then the garage door and took a walk... at two years old. Enjoys diving off things like the couch, kitchen table and front deck!

His personal ad will read: Seeks quiet, shy girl to balance off outgoing and risk taking

personality with Elmo stories, short walks around the sandbox, long naps and plenty of milk and cookies.

There's never a dull moment and I wouldn't trade it for the world!

FYI, I'll be on CNBC's The Call this Monday, the 13th, just after 11:00am.

## **Sell Rosh Hashanah... Buy Yom Kippur**

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I was watching Squawk Box this morning on CNBC and heard an interview with a Chicago regular who offered that stock market volume may remain low for the rest of 2010 as many large market players are in the process of essentially closing up shop, not for the quarter, but for the YEAR. By "closing up shop", I don't mean that they are liquidating portfolios and going to cash, but rather, not committing new money to trades, not taking on more risk and hedging where appropriate.

It's dumb enough to hear this mindless drivel in October, but now? With four full months left in a toss-up year? It's absurd! My old friend Jim Lane and I used to shake our heads when sell side folks offered to help close up shop a week or two early in December. But September? Is there nothing else out there to offer an opinion on?

Turning to the markets, we left off with stocks at a critical juncture and my call for a significant rally looking like the former division leading San Diego Padres, losers of 10 games in a row. The Dow was trading just below 10,000 and it was make or break time for the bulls. With all of the positive indicators and supportive sentiment, the market was supposed to rally strongly. If it could not, I feared an imminent meltdown that would have really turned our very good year into sour grapes.

The bears came close, but their efforts were thwarted several times in late August and the bulls turned around and shot stocks higher, something I was very glad to see! The stock market continues to support a rally, although it's come very far, very fast. A few days down to refresh the rally would be healthy and welcomed, and set up another assault on the June and August highs this month.

With the Jewish holidays upon us, the old Wall Street adage may apply. Sell Rosh Hashanah, buy Yom Kippur, which means the market tends to be on the weak side during the week that separates the two holidays.

As I mentioned last month, I fully expect this rally to be more selective with some sectors rising to new 2010 highs, like our largest positions, REITS and Consumer Staples, while other sectors, like banks, will be pulled along but lag the market.

The ultimate peak, which I had forecasted to be in place by Labor Day still seems unclear to me. It could have been the April high, but there just may be enough energy to test that high before long. As always, we'll take it one day at a time and let our models guide us. Unless we see dramatic improvement in market internals, like the number of stocks going up and down, new highs and lows along with sector leadership, the potential for a 10-20% decline still exists this year.

On the bond side, there continues to be a tsunami of money heading that way from the investing public along with corporations issuing debt at a record pace, just like we saw with tech stocks in 1999 and 2000 and housing after that. Similar to tech and housing, the bond party isn't going to end well, whether that's this year or 2011 or 2012. Manias tend to go on much longer and higher than anyone forecasts, but when they end, it's with a bang and not a fizzle.

We own high yield, investment grade and treasuries, but are under no impression that it's for the long-term. As I mentioned here and on [CNBC \(http://www.cnbc.com/id/15840232/?video=1575077845&play=1\)](http://www.cnbc.com/id/15840232/?video=1575077845&play=1), we happily rode the treasury bandwagon for many months in our Global Asset Allocation Program before becoming more active of late with our trades. I continue to believe that the more nimble you can be, the better the chance to avoid the upcoming bond collapse and earn money elsewhere.

## Obama Throws The Hail Mary

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The big news from the weekend was something I discussed during the summer; the potential for the democrats to throw a Hail Mary in hopes of saving the mid-term elections in November. Barack Obama did not disappoint. From my seat on the positive side, the administration is seeking to allow businesses to write off all new plant and equipment investments in 2011, rather than amortizing over many years. The end result is a potential positive shock to jobs to create the goods as well as potentially more jobs from the company making the investment.

This is one area, I've written about and discussed in the media for years; the need to offer tax incentives and credits and help business help themselves without bailouts and handouts. Hopefully, this is a sea change for the administration and more programs like this will follow,

On the negative side, long time readers already know my skepticism (to put it politely) regarding government stimulus. It's a slippery slope that once begun, there's no turning back. During the first quarter of 2009, Congress and the administration passed a record \$787B spending bill without the means to pay for it that was sold as a modern day New Deal, heavy on new jobs and infrastructure. It's far from a stretch to say that it's been a bust with only a small percent of "shovel ready" projects funded and underway.

Now we are being a sold another infrastructure bill of goods that emphasizes jump starting the jobs market with "only" \$50B to start and at least another \$50B over the next five years. Do we need monies allocated for our aging and almost decrepit infrastructure? OF COURSE, we do! And we need monies for job training and education improvements and disease research and technological upgrades and renewable energy, etc. But targeting big energy by "closing loopholes" because the ground is fertile against them isn't the answer.

Where does it end? Does the government just keep creating spending bill after spending bill and hoping they work? Hope certainly isn't a viable investment strategy and it's no better a fiscal one either! As George W. Bush so eloquently mumbled in 2002, ""There's an old saying in Tennessee - I know it's in Texas, probably in Tennessee - that says, fool me once, shame on - shame on you. Fool me - you can't get fooled again."

Explode Higher or Implode Lower

As you already know, I contribute to the New Haven Register's financial blog, **Fi\$cally Fit**, (<http://fiscallyfitnhr.blogspot.com/>) every Friday.

[Explode Higher or Implode Lower](#)

(<http://fiscallyfitnhr.blogspot.com/2010/09/explode-higher-or-implode-lower.html>)

Upcoming TV Appearances

CNBC's Squawk on the Street - September 13 at 9:35am

CNBC's The Call - September 20 at 11:00am

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

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

[Media Appearances](#)

(<http://www.investfortomorrow.com/InMedia.asp>)

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

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

"Diversification alone is no longer sufficient to temper risk... You need something more to manage risk well."

- Mohamed El-Erian

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.

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To Your Financial Success,



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