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Thanksgiving Tidbits

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First and foremost, I want to wish you and your family a very happy and safe Thanksgiving! I've already cut back my food intake to make extra room for the multiple feasts and dug deep into my wine collection for those special holiday bottles.

As has been my tradition since the early 1990s, I'll start my day at the gym (Lord knows I need it!) and stay until they throw me out at closing. From there, it's home to finish the Fall cleanup and store all the deck furniture for the winter. Fun, fun, fun! Then it's a mix of food, football and wine with my family until the third game wraps up around 11.

I get a special treat this year with my woefully pathetic Cowboys on at 4:15 and my surging Jets in prime time. While half the country braves the crowds on Black Friday, it's opening day at Mount Snow for the 2010-2011 ski season. I am really excited, but my 7 and 5 year olds are going nuts waiting to saddle up. It will only be a matter of time before the 2 year old is on the hill, terrorizing skiers and boarders like he does his siblings!

A quick family funny, or at least I thought it was. Last week, my two year old decided he wasn't going to bed. Instead, he was going lay in bed with mom and
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dad to watch TV. As he squeezed his way between us, he inquired "wea di mote?" Translation... where's the remote? So he could find Dora or Go Diego or Umizoomi.

I told him they were all asleep and he would have to watch Bill O'Reilly. To which he replied, "Lil Bill? Okay!" In case you are wondering, "Lil Bill" is Little Bill, a Bill Cosby cartoon creation. When I told my son that Little Bill also asleep and he was stuck with Bill O'Reilly, he threw the comforter off, climbed out of our bed, pouted and said "I no like O'Weilly" and stomped off to bed.

Adam Shell from the USA Today (http://www.usatoday.com/money/markets/2010-11-15-mart15_ST_N.htm?loc=interstitialskip) interviewed me last week for one of his market articles. It may only have been a tiny quote at the end, but I was really pleased he included it and it was helpful. You can view media mentions on the website under In The Media, just keep scrolling down.

FYI, I am scheduled to be on CNBC's The Call on 11/24 at 11:05am.

Market Pullback Not Over

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Late afternoon last Thursday, I was next door doing physical therapy on my knee from a ski injury I sustained in January. I know. I know. I shouldn't have waited so long, but I really feared I needed surgery and decided to bury my head in the sand instead, hoping it would go away. Thankfully, with ski season just a few short days away, my knee feels a thousand times better as my therapists pushed me as hard as my trainer did when I had ulnar nerve surgery in 1999.

Anyway, as I was doing the hated wall sit exercise, my phone rang. The producer from CNBC's Kudlow Report was calling to see if I could be a last minute fill in on the show. Long time readers know that while I don't always agree with Larry, I like him and greatly respect his opinion. I am often on CNBC's The Call with him and will be again this Wednesday (11/24) at 11:05am, but was never invited on his show.

So of course, I jumped at the opportunity, only to be reminded that Larry was on vacation and Trish Regan was filling in. Trish is also an anchor on The Call and someone I like as well, but Larry is defintely a unique person. You can watch the segment HERE. It's the one from 11/18/2010. (http://www.investfortomorrow.com/InMedia.asp)

The week before, I participated on a Squawk on the Street SEGMENT, which you can click on the 11/9/2010 line to view. My thoughts are the stock market have not changed. Sentiment had gotten way ahead of itself as we saw a surge in bullishness from option traders and individual investors along with a spike in
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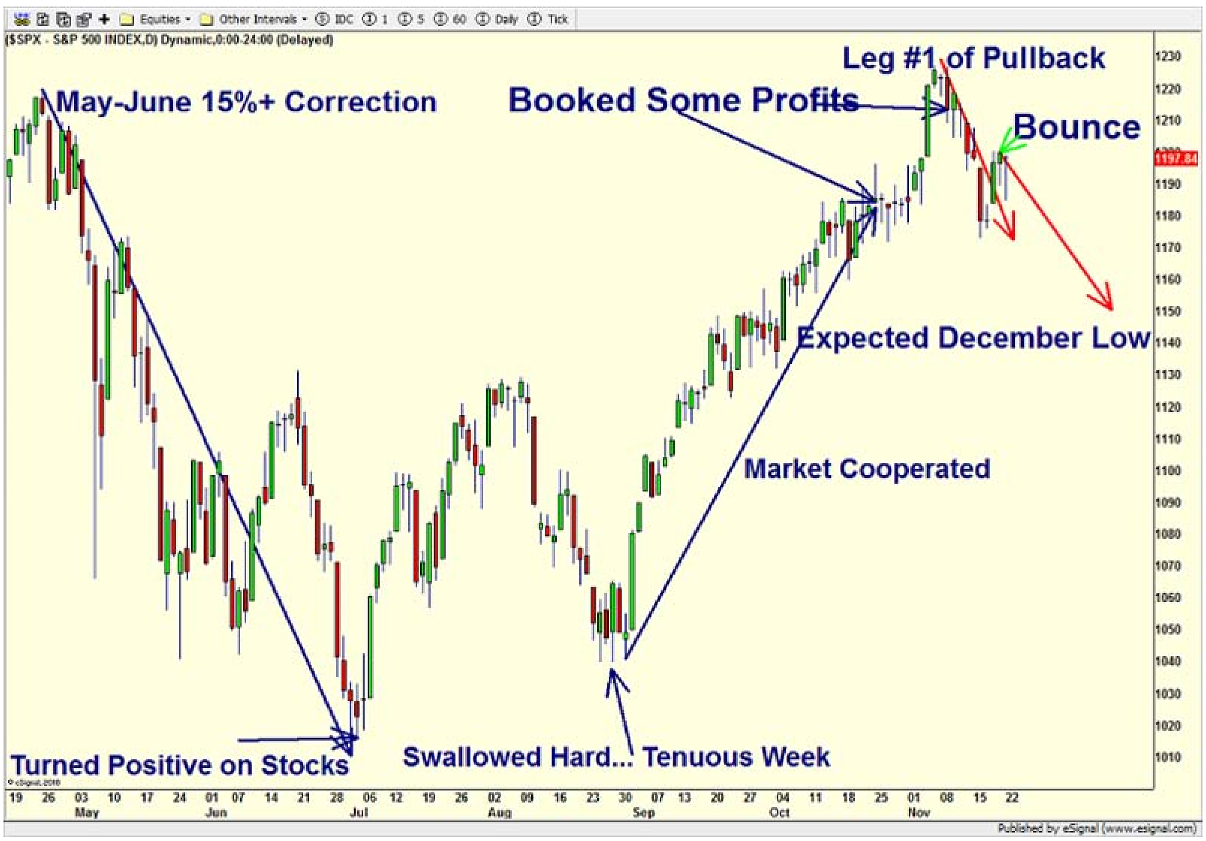
selling by corporate insiders. This was all happening as the major indices were breaking out to new 2010 highs, where the greatest chance for a reversal occurs. Historically, that's not a cocktail worth drinking.

From the peak on 11/5 to the low on 11/16, stocks declined roughly 4%. In the super bullish case, that would have been enough to reset the case for another rally to new highs. And even though the market bounced, I do not believe the short-term pullback is over. Sentiment remains a tad frothy and I think we need to see some fear before a more meaningful bottom is created.

Fear can manifest itself sometimes in sideways action where investors almost become bored and lose patience, but most of the time, it's a news event and sharp drop. Usually, we will hear folks calling into question the sustainability of the rally and whether the market has put in a more meaningful top.

Right now, as you can see from the bigger picture chart below, the first leg down is complete and stocks are in the process of completing their bounce. If my scenario is correct (still a big IF), we should see last week's lowest price exceeded in early December and a better low established to rally into year-end.



As the bounce in stocks ends, I would also expect commodities and high yield bonds to also fall and the dollar to continue to rally. As you may recall, when the masses were uniformly negative on the dollar and positive on the euro in early November, I published the chart below and offered similar dollar bullish comments when the Fed officially announced their second round of quantitative easing, which was suppose to be bad for the buck.

I offered the same comments on [CNBC]() on 11/5 and 11/9. This isn't rocket science! When the vast majority line up on one side of the equation, it's safe to assume they are positioned that way and have used up their ammunition. So who is left to come on board? It's far from infallible, but would you rather be a buyer or seller with 5% bulls after such a huge decline?

The Tip of the Municipal Iceberg

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Back in January, I published [11 Shockers For 2010]() ([http://fiscallyfitnhr.blogspot.com/2010/01/11-shockers-for-2010.html]()). Number 3 was about a municipal crisis unfolding in the U.S. And I am fairly certain a shocker for 2011 is going to be the corporate bond bubble bursting, leaving millions of investors in tears.

I was very surprised that it took until November for the first real sign of municipal trouble to appear. Harrisburg PA fired the shot across the bow, but good old Governor Ed Rendell made sure to offer the quasi bailout so it wouldn't happen on his watch. (Note: he did not run for reelection) As you can see from the short-term chart below, a representative muni security, MUB, was decimated on a relative basis this month.
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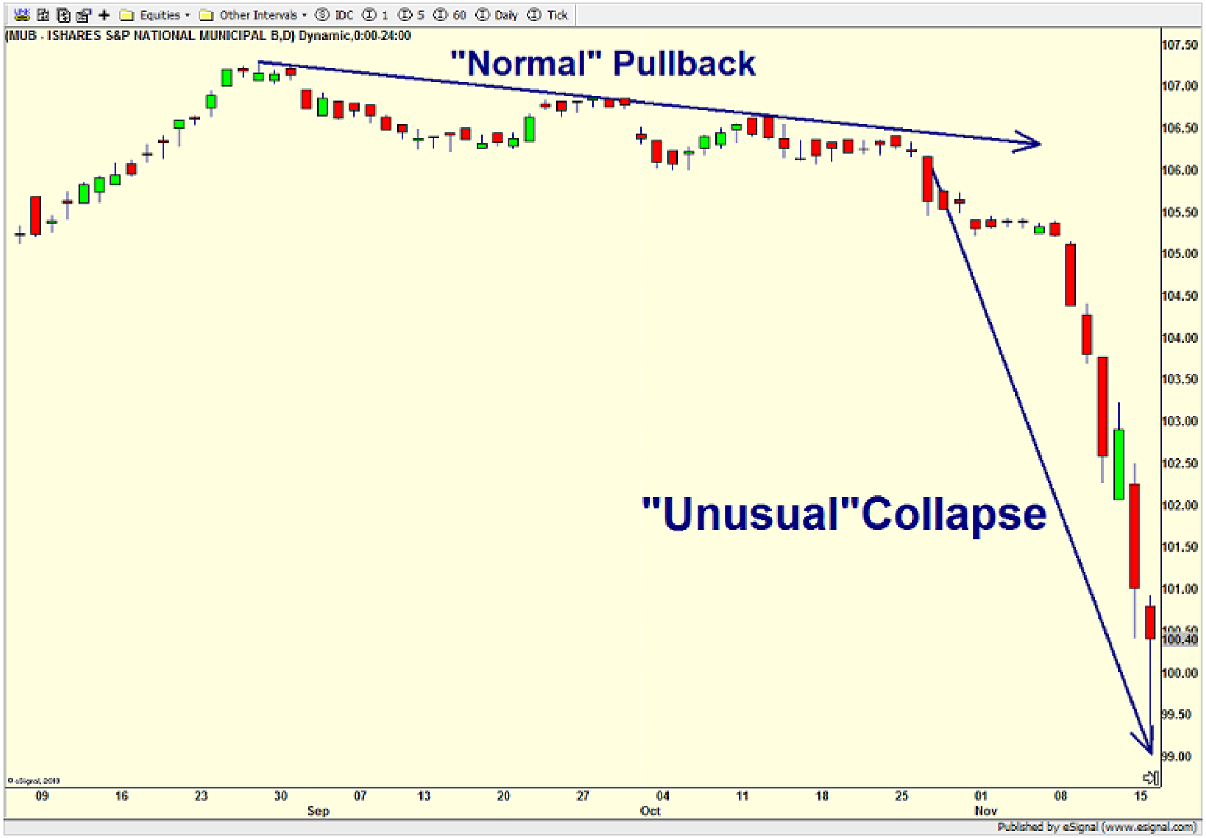

Taking a longer-term view, the current muni correction has wiped out more than a YEAR'S worth of return! That's not normal. My comments are the same now as they were a year ago, two years and three years ago.

If you intend on buying and holding municipal securities, KNOW WHAT YOU OWN! Owning individual bonds may offer less yield, but you have more control about the credit quality of your holdings. I would only traffic in the better quality issues and make sure the entity has either the power to tax or ensure the revenue stream. Generally speaking, you find those at the state level.

Investors who reached for yield are getting severely punished and I believe will continue to be punished. If a crisis really is brewing (still an IF), this is just the tip of the iceberg. If you are a municipal bond fund investor, please remember that your fund never really matures like an individual bond does. You DO have principal risk!

If you invest in closed end municipal funds made popular by Nuveen, please check to see how much leverage (borrowing) they use. There are no free lunches in investing and there is a reason you have received such "rich" yields! In all likelihood, some of your closed end funds bought bonds on margin, which amplify gains and losses.

I'll have MUCH more to say on this issue shortly, but I wanted to get it on your radar screen in case munis rally in the short-term, giving you an opportunity to make a decision.

As always, please call me directly at 203.389.3553 or hit REPLY if you would an independent assessment of your portfolio or just to bounce a comment or idea off me.

Upcoming Appearances

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

CNBC's The Call - November 24 at 11:05am

CNBC's Worldwide Exchange - November 29 at 5:30am

CNBC's Worldwide Exchange - December 7 at 5:30am

WRG's World Cup of Trading ETFs - December 13 at 9:45am

CNBC's Squawk on the Street - December 21 at 9:35am

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

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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

"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

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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.

Sign Up Here

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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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

Street$marts 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

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