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Let it Snow... Let it Snow... Let it Snow

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Boy, it's been SOME winter here in the northeast! The storms just keep lining up and with the cold air streaming down from Canada, they've all been of the snowy variety. And unlike most of you, I couldn't be happier! Everything I read says this has been one of the coldest and snowiest winters across the country in history. A skiers nirvana!

About the only sad part is that usually, once the weather pattern changes, it won't snow again for a long time, making the masses and municipalities very happy. For those of you cursing me right about now, don't worry, spring will be here soon enough!
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In Vermont, it has been a winter wonderland with some of the best skiing of my life. My super competitive daughter had her first "race" last weekend and it was something to watch. All the parents gathered at the bottom and cheered as each child crossed the finish line, no matter how long it took.

My daughter, of course, treated the whole thing like the Olympics and after realizing early in the 34 second race that she was behind, put it into overdrive to "win". She did remember what I taught her. The shortest distance between two points is a straight line, possibly at the expense of ignoring a gate or two! With the whole extended family cheering, my daughter nonchalantly skied by and nodded to us, almost as if she expected to win, like some of her Olympic idols, Lindsey Vonn and Peekaboo Street.

Turning to the more relevant topic of the markets, I am in the process of finishing up my Top Shockers of 2011. I started off slowly, but the list is growing very quickly now, highlighted by what I am calling the rotten future of Apple. In other words, I think Apple has seen its juiciest days for a while.

I'll have other shockers about stocks, politics, commodities and world events shortly. Stay tuned...

I had hoped to include an article about gold this week, but that will have to wait until next week. I have been of the opinion that the shiny metal has entered a trading range and that would persist until some worry reemerged about the bull run being over.

As long time readers know, commodities and stocks behave oppositely when making tops and bottoms. The former makes these dramatic, parabolic moves before peaking, while the latter tends to see price action that's more rounded and rolling.

Since October, gold has been rounding and rolling, looking more like a digestion period than the end of the bull market. I think gold can be bought in the low $1300s for a move to at least towards the upper end of the range. Although I think 2011 will be a frustrating year for gold and silver investors, I do believe that $1500 will be seen at some point, but not light the fire for another upward explosion.

If you use Twitter or Facebook, I am finally taking the business plunge after using so many years personally. Follow me at Paul_Schatz on Twitter or search Heritage Capital on Facebook.

Fiscal and Financial Fitness

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This is the time of year when traditional New Year's resolutions are all the rage. Membership departments at gyms are humming. Personal trainers and nutritionists are booked solid. And w*e*i*g*h*t loss infomercials, always popular, dominate the late night and weekend paid advertisement schedule. Who doesn't want to look and feel better in the New Year? And isn't that the same thing with our finances? Most people strive for financial and physical fitness early in the New Year! Amazingly, there are so many similarities between the two.

For whatever reason, I have never paid much attention to making a list of resolutions. I could stand to shed a few pounds and get in better shape. I should strive to be a better husband and father. I could give more to charity. But as with most people, I am FAR from perfect! What I have done over the past five or so years is to pick one topic or project that achievable and focus on it.

Last year, my goal was to become paperless. I wanted to reduce the filing cabinets in my office from three to one. I was so driven that I actually hired a woman whose primary function was this project. And I am ecstatic to report that we're just about there. For 2012, my big picture goal is to increase our local business (within 25 miles of the office) by 25% through a variety of marketing initiatives.

Getting back to fiscally and physically fit, conventional New Year's resolutions are usually very difficult to keep. When it comes to w*e*i*g*h*t loss, "d-i-e-t-s fail, people don't" as my good friend and fat loss guru extraordinaire Rob Nevins likes to say. I spent some time interviewing Rob just after January 1, by far, his busiest time of the year as you can imagine.

Rob, with the energy of 100 people who never sit still, is the poster child and head cheerleader for f*a*t loss through his **Rob Nevins Living Lean** company and has as many one liners as Rodney Dangerfield. I met Rob in 1995 while working out at the gym and he truly changed my nutritional life, forever. At one time, with his help and coaching, I was able to reduce my body f*a*t to a very lean 7%, while increasing my strength and energy. Ahhhh, the good ole days...

He shared that 65% of America resolves to lose w*e*i*g*h*t and/or get in shape each year, but 97% fail. I would venture to guess that's similar to those resolving to put one's financial house in order. Also similar to my field, he urges people not to become another statistic. Generic d-i-e-t-s yield generic results, something I wholeheartedly
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believe in the investment management business. The "one size fits all" plan rarely, if ever, works successfully. I have always espoused diversifying not only among asset classes, but strategies as well. Who do you know who has successfully retired using a cookie cutter investment plan?

Rob's philosophy includes being able to enjoy a treat here and there, but starvation is the worst thing of all. Translate that into investing and I would say that taking a flyer every now and then won't hurt you, but leaving your money in a bomb shelter earning nothing is a disaster. Just like with starvation, the CD or money market mentality allows inflation to eat away at your money day by day, bit by bit until you're left with nothing but a skeleton.

I asked Rob for some of his "golden" rules for successfully cutting fat and your clothes size. He quickly quipped, "the scale lies, trust your size". In investing, to me that means asset diversification (modern portfolio theory) isn't the be-all, end-all. What good is being diversified if all those assets trend in the same direction, like 2008?

In the end, Rob Nevins said that all people should drink 8-10 glasses of water a day and enjoy three meals and two snacks. That's a huge start, d-i-e-t or not. It's hard for me to just list two rules that everyone should follow. But here are two that are common sense enough. When you hear from the experts that "this time is different", run away as fast as you can. Human emotion hasn't changed in centuries and it's never different this time around. Second is that when something seems so easy, so obvious, so universally accepted, the trend is about to violently change.

10 Market Rules from a Wise Investor

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There are few people on Wall Street who have truly stood the test of time in the public eye, especially with ability, confidence and independence to be bearish when the evidence pointed that way. And while there is no shortage of reasons to be critical of Merrill Lynch, retired chief strategist Bob Farrell is not among them.

Bob used to be a regular on the financial news circuit, gaining tremendous popularity on Louis Rukeyser's Wall Street Week in the 1970s and 1980s. He always seemed very genuine, credible and appropriately skeptical.

While searching online for Bob's retirement activities in hopes of inviting
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him to speak at a conference, I came across an old list that MarketWatch shared a few years ago.

1. Markets tend to return to the mean over time
When stocks go too far in one direction, they come back. Euphoria and pessimism can cloud people's heads. It's easy to get caught up in the heat of the moment and lose perspective.

2. Excesses in one direction will lead to an excess in the opposite direction
Think of the market baseline as attached to a rubber string. Any action too far in one direction not only brings you back to the baseline, but leads to an overshoot in the opposite direction.

3. There are no new eras - excesses are never permanent
Whatever the latest hot sector is, it eventually overheats, mean reverts, and then overshoots.

As the fever builds, a chorus of "this time it's different" will be heard, even if those exact words are never used. And of course, it - human nature - is never different.

4. Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways
Regardless of how hot a sector is, don't expect a plateau to work off the excesses. Profits are locked in by selling, and that invariably leads to a significant correction eventually.

5. The public buys the most at the top and the least at the bottom
That's why contrarian-minded investors can make good money if they follow the sentiment indicators and have good timing. Watch Investors Intelligence (measuring the mood of more than 100 investment newsletter writers) and the American Association of Individual Investors Survey.

6. Fear and greed are stronger than long-term resolve
Investors can be their own worst enemy, particularly when emotions take hold. Gains "make us exuberant; they enhance well-being and promote optimism", says Santa Clara University finance professor Meir Statman. His studies of investor behavior show that "Losses bring sadness, disgust, fear, regret. Fear increases the sense of risk and some react by shunning stocks."

7. Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chip names
This is why breadth and volume are so important. Think of it as strength in numbers. Broad momentum is hard to stop, Farrell observes. Watch for when momentum channels into a small number of stocks.

8. Bear markets have three stages - sharp down, reflexive rebound and a drawn-out fundamental downtrend

9. When all the experts and forecasts agree - something else is going to happen
As Sam Stovall, the S&P investment strategist, puts it: "If everybody's optimistic, who is left to buy? If everybody's pessimistic, who's left to sell?"

Going against the herd as Farrell repeatedly suggests can be very profitable, especially for patient buyers who raise cash from frothy markets and reinvest it when sentiment is darkest.

10. Bull markets are more fun than bear markets
Especially if you are long only or mandated to be fully invested. Those with more flexible charters might squeak out a smile or two here and there

Upcoming Appearances

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

CNBC's The Call - February 1 at 11:05am

CNBC's Squawk on the Street - February 8 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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