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Yet Another Harrowing Flight

I am finally caught up from being out of the office in San Diego for a week, attending and speaking at our custodian's conference as well as the annual conference of my trade association. As I usually report, it was a fantastic trip catching up with old friends, colleagues and clients as well as meeting new folks from all over the world. Welcome to all the new readers of Street\$Marts!

It's unusual for people in our industry to share their secrets on investing, marketing and practice management, but that's exactly what happens each and every year at the NAAIM and Ceros conferences. While the structured agendas are great and take up most of the day, it's the networking during the meals and evenings where the real business is done.

As long time readers know, I don't have much luck when it comes to flights. And this trip was no different! All was fine from San Diego until about an hour short of Philly where we encountered some moderate turbulence on the big jet. During my two hour layover, I realized that I had to go back up in that chop, but this time on a puddle jumper!

I knew something was wrong when I walked on to the prop plane and the flight attendant looked green. Stupidly, I thought she was pregnant and asked if she was ok. She told me that there was "some bumps" coming in to Philly. At that moment, I began to sweat and worry. For the next 75 minutes, the tiny plane was thrown around like Dorothy's house during the opening scene of the Wizard of Oz. It went up and down and left and right. The flight attendant held her barf bag close and most of the passengers followed suit. It wasn't a fun ride!

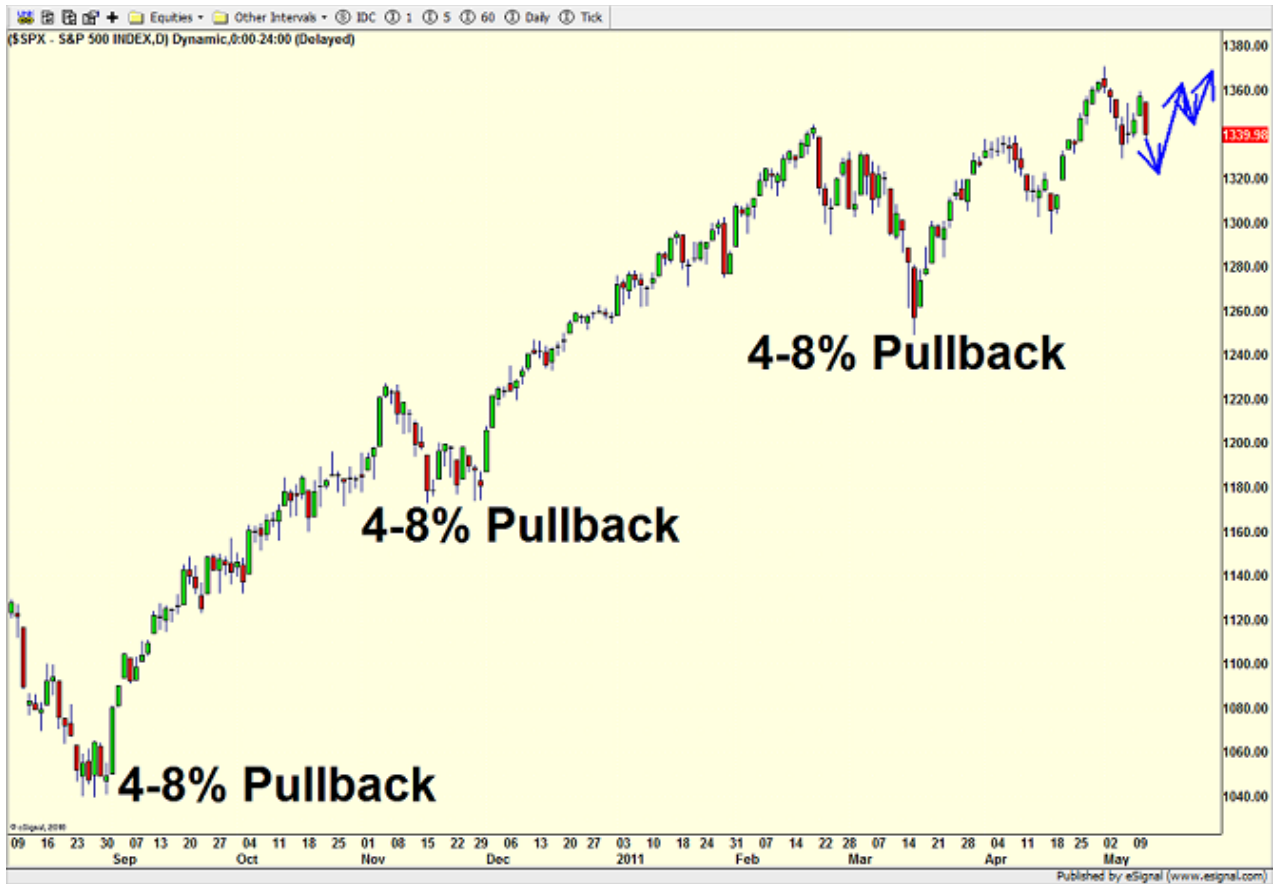
When I got off the plane in New Haven, I was sweating and dizzy and oh so nauseous! And that took a solid day plus to wear off. Thankfully, as of now, after a whirlwind four months, I have no plane trips scheduled until the fourth quarter!

Without a good segue, several folks asked if we archive the media appearances. As best as my web guru Laura Taylor can, you can find them here. [HC in the Media](http://www.investfortomorrow.com/InMedia.asp) (<http://www.investfortomorrow.com/InMedia.asp>)

Storms Clouds on the Horizon?

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Below is a familiar chart of the S&P 500 showing the various 4-8% pullbacks we continue to see. As I write this, the stock market is rolling over to the downside and it certainly has the feel of wanting to sell off more in the coming days. If we do see more weakness, my initial take in blue calls for a move below last week's low before resuming the rally.



Until proven otherwise, I believe this is just another 4-8% cleanse before moving higher. HOWEVER, as I have written about before and included in my [2011 Forecast](#), I do not believe 2011 ends up hugely in the black. I think we "borrowed" some of that last year.

My concerns now are growing, given that this entire bull market has been surfing a tidal wave of liquidity and the Fed is firm that the torrent will be turned off on June 30. I have serious questions whether the economy and markets can stand on their own two feet without help. Last spring, as you can see below, we saw what happened when the Fed stopped pumping money into the system. Of course, Greece and the Flash Crash had something to do with it!



IF the stock market is in the process of building a peak this quarter, I think volatility will continue to increase through the end of June. We should see fewer and fewer stocks in healthy shape and more than a few market sectors not behave well into rallies. I would also imagine that junk bonds and/or small caps would start to underperform, given how sensitive they are to liquidity. In turn, that would set the stage for some unpleasantness (10-20% correction) during the third quarter.

Arguing against this theme is the fact that this is the third year of Obama's term, the strongest of the four year cycle where we have only seen one down year in the past 70 ish years. But as I mentioned already, I think the market borrowed some of the rally last year, which should have been a poor year according to the presidential cycle.

In short, I am not ready to jump ship just yet. We are dancing close to the door, but I think there should still be some more upside after this little pullback exhausts itself in the coming week or two.

As always, please contact me directly by calling 203.389.3553 or hitting REPLY to this email with any questions or comments.

## Hi Ho Silver

In the [past few issues](#) and on Facebook and Twitter, silver has been a popular topic. If you are not following my daily comments and would like to, please click on the Facebook and/or Twitter icons at the top of this issue. When we left silver not long ago, I showed a series of charts on how bubbles are built and what they look like. I also explained why they are so difficult to profit from, using Keynes' line that the market can stay irrational longer than you can stay solvent.

From \$18 to \$50 in 8 months. Bubble?



And now, from the 2008 bottom. \$9 to \$50. What do you think?



Today, we can easily see below that silver was decimated from \$50 to \$33 in a little more than a week. Has the bull market ended? Is silver headed back to single digits? It's still too early to tell, but the bull market has been seriously wounded.



It was certainly a back breaker for the bulls as the Chicago Merc, where silver trades, repeatedly raised margin requirements to help put a damper on rampant speculation. Conspiracy theorists are out in full force, believing that this is all part of a grand scheme by the government to confiscate gold and silver holdings of American citizens like FDR did in 1934. If that's even remotely true, why wasn't the margin requirement on gold raised as well? What a far cry from a few weeks ago when that same group (or not) continued reporting that JP Morgan was short the equivalent of all the silver on earth and they were being squeezed to deliver the metal. You can't have it both ways!

As a student of market history, it's helpful to be able to compare current action with that of a similar period in the past. The next chart is from 2006 and shows a similar collapse in silver after a meteoric rise.



At that time, I remember believing that the gig was up and silver was toast for a long while. How wrong I was as the metal digested for more than a year before blowing off to the upside in early 2008.





I think the best way to ascertain where silver is now is to see how it behaves in the coming weeks. After a 34% hit, buyers should support the metal between here and \$30. If we begin to see stability and digestion, I will argue that the bull market is not over. However, if we see more selling, especially into rallies that result in lower lows, I think the bull market will be dead.

Any questions or comments? Just hit REPLY and I will get back to you in a timely fashion.

**Upcoming Appearances**



CNBC's Worldwide Exchange - May 17 at 5:30am

CNBC's Squawk on the Street - May 31 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](#)

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## To Your Financial Success,



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