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Inside this issue

License to be a Parent

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Over the weekend, I had some bonding time with my oldest son. We joined another father/son team for some mini golf, pizza and a visit to our favorite ice cream place, Rich Farm . My son had so much fun that he fell fast asleep on the ride home, hopefully from exhaustion and not boredom!

While eating our ice cream, a group of people on race motorcycles (I think Ninjas) pulled up. One by one they removed their helmets. I was shocked to find an adult driver and kid on each bike. Worse, while the kids had helmets on, they all had either sneakers or flip flops with shorts and tee shirts. I don't much or anything about riding motorcycles, but common sense says that these parents were taking stupid risks with their kids. What they do to themselves as adults is one thing, but to endanger your children?

That sounds eerily similar to the clowns in Washington cavalierly playing
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chicken with the well being of Americans. And there's not much new to harp on. Obama continues to be disingenuous, failing to release concrete details of his plan, let alone a budget. And Boehner et al refuses to compromise on anything meaningful, instead reasserting the label, "party of no".

We are going nowhere fast and I sense increased anger each and every day from fellow Americans. It has now become apparent that each side is using this single issue as the theme for election 2012. It makes me ill to watch the interviews as politicians from both sides espouse half truths and nonsense. How can any of us tolerate this incredibly selfish behavior from our elected officials?

I may be a republican, but I certainly cannot agree with their lack of compromise in negotiating. What we are dealing with is not rocket science. We are not trying to cure cancer in one week. As I continue to write about, I think Michael Boskin hit the nail on the head when he concluded that a 4:1 ratio of spending cuts to revenue increases was the right way to go. No one side will be thrilled, but it's something we can all live with.

If they let me negotiate the deal, I would give in on tax breaks for big oil and agriculture as they are all making record profits. Reform the tax code so we broaden the base and folks making $5mm or $10mm or $100mm aren't paying the same taxes as their support staff. Republicans should give in on that as well.

On the other hand, it's insane to believe we are going to cut enough over the next 10 years to make a difference without addressing social security, and medicare. The dems need to let go of this and make some meaningful reform that ensures these programs remain solvent.

One of the sad things about this whole mess is that Obama did a good thing by creating the bipartisan Simpson/Boles Deficit Commission. And the recommendations must have been pretty good because both sides rejected half of the plan. While we can all disagree with various aspects of what they suggested, overall, it was a good plan that needs to be taken seriously by both parties. Enough of this childish nonsense. Who on earth would want to vote for any incumbent right now?

Let's get a deal done that lasts until 2013 when the Bush/Obama tax cuts also expire. Let the next election be a referendum on al this.

Still Riding the Bullish Wave

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I am going to spend my time this week staying with the theme from the past few weeks, my bullish forecast for the stock market. Although this phrase always applies, it's certainly been an interesting few weeks, especially on the geopolitical front with the debt crisis deadline looming, Greece, Ireland, Spain and Italy along with the plethora of poor economic reports. Yet with all this being shoved down our throats 24/7 by the media, the major stock market indices are one or two strong days away from multi year highs. It's been the epitome of resilient.

For the past month, I have leaned heavily on the bullish side of the argument for stocks. I won't bore you with the facts, evidence and opinion, but my forecast flew in the face of conventional and generally accepted, just the place I am comfortable trafficking, in the minority. But to be fair, if I was going to be wrong, I laid the case out last week from a technical perspective.

The chart above from last week has been updated and remains an open possible scenario for the bears if the S&P 500 is able to close a few days below the neckline. Given the strength this week, it would be a long drop just to get to the line in the sand, let along pierce it. If and when the S&P 500 closes above the area labeled "right shoulder", the head and shoulder pattern for the bears will be null and void, something I continue to believe
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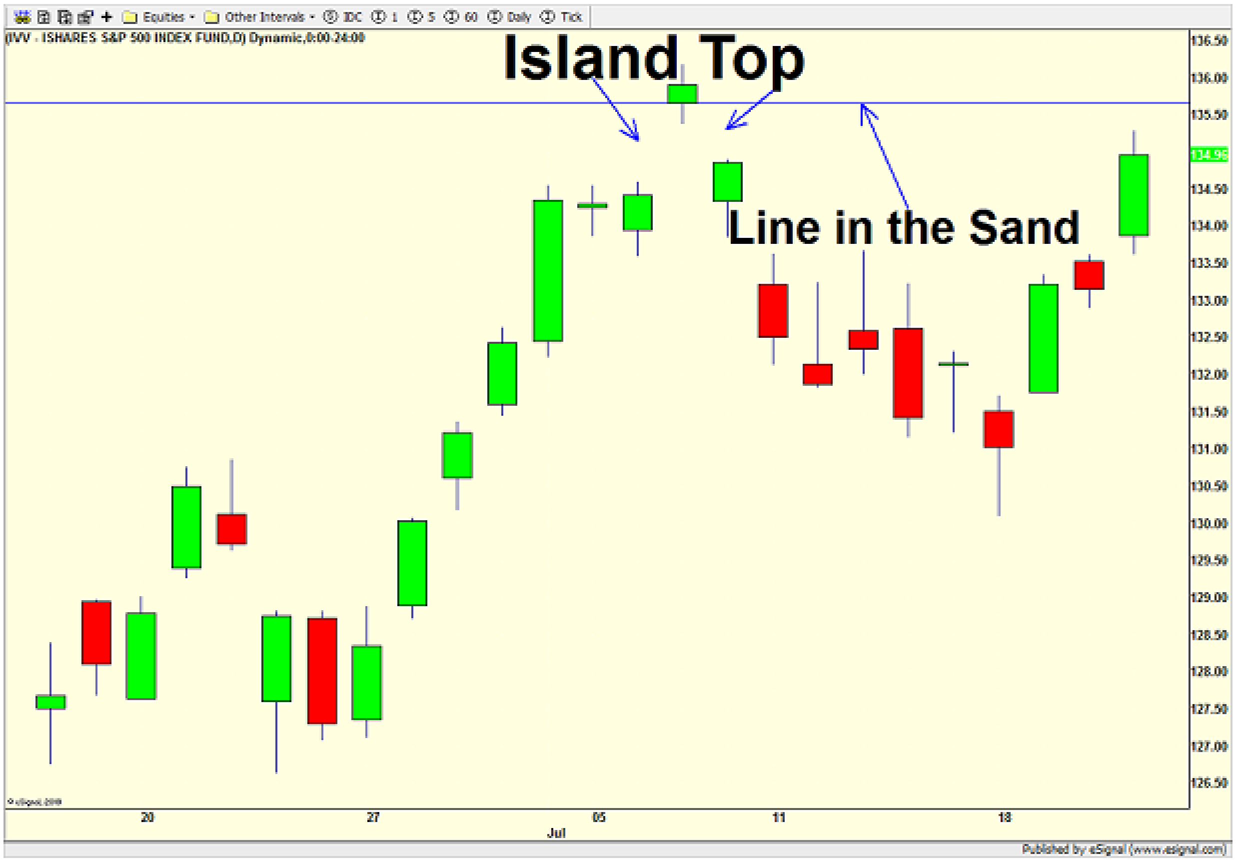
will occur this quarter.

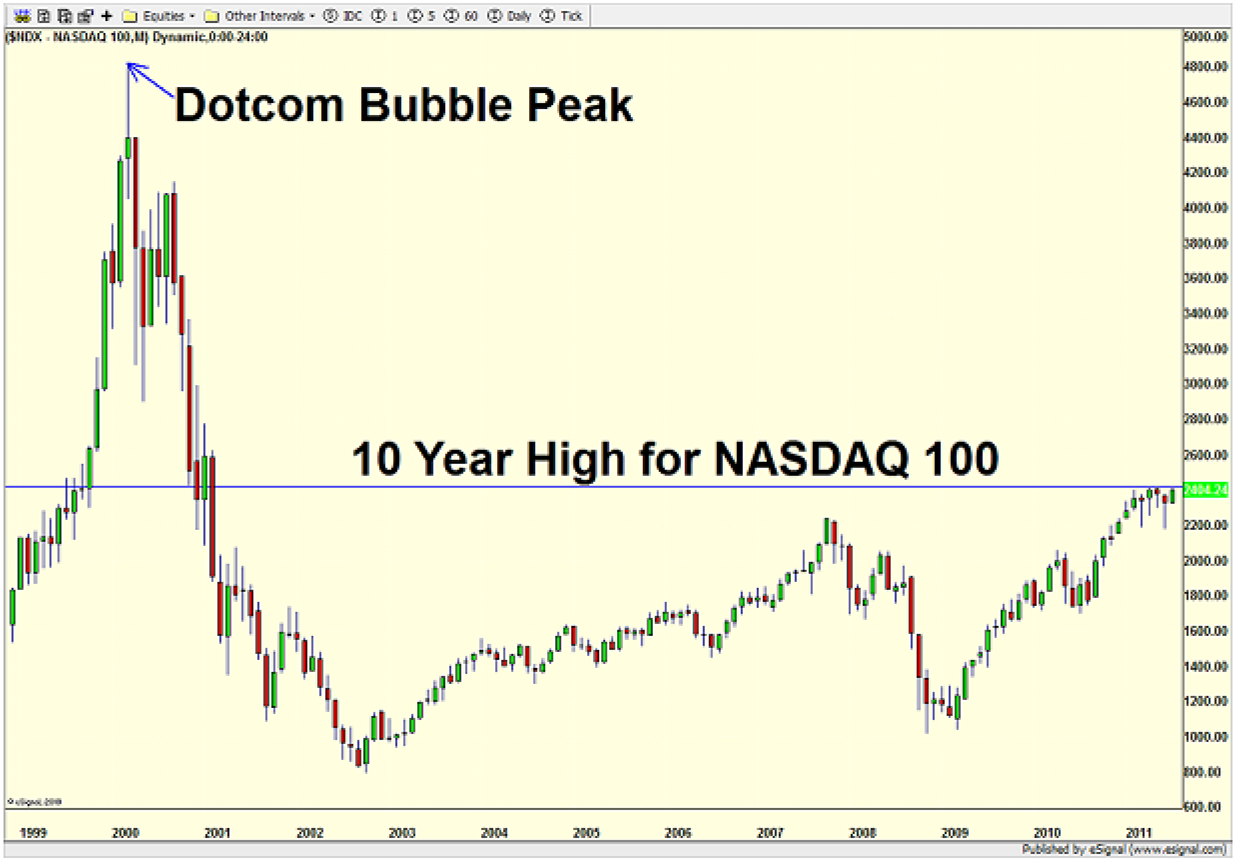
The other negative technical chart pattern can be seen below, the island top. And like the head and shoulders chart, the island top is very close to breaching its own line in the sand, which would nullify the potential negativity of the pattern.



As I have already mentioned over the past few weeks, the Russell 2000 (small caps), S&P 400 (mid caps), high yield bonds and the Dow Jones Transports scored all time highs at the April market peak along with the Advance/Decline line, a cumulative measure of the number of stocks going up and down each day. On the fundamental front, something I am certainly no expert in, S&P 500 earnings are growing faster than the S&P 500 index. That means the market is getting cheaper even though it is still rising. We are actually seeing price/earnings multiple compression rather than the usual expansion. It is highly unusual for a bear market to begin with so many positives at a market peak.

Taking a longer-term perspective, something I am not usually known for doing, the NASDAQ 100 continues to give off some very positive vibes. This index is made up of the 100 largest non-financial stocks on the NASDAQ and is dominated by tech giants Apple, Intel, Google, Microsoft , Oracle and Cisco. As you can see below, the index is quietly and without fanfare bumping up against fresh 10 year highs!

Looking out even further gives you a sense of how much upside room there is before all-time highs can be seen. In case you forgot, the Dotcom bubble high from 2000 is another 100% from here. I remember quipping on Bloomberg TV that whatever high the NASDAQ was putting in wouldn't be seen again in my lifetime. I certainly hope I live a very long life and will be able to see that peak eclipsed sometime in the 2020s or 2030s.



Last week I closed with:

Given all the positives listed earlier against the negatives from the charts, the easiest thing to do would be to move to a neutral stance. And maybe that means we are in for some sideways activity. "Play it safe", if you will, with all the negative news from the debt ceiling debacle to Italy and Ireland and Greece. But I have never been to one to seek the easy way out. I continue to believe that the major stock market indices are going to resolve themselves to the upside and score new high closes this quarter. And that's the way I plan to invest until proven otherwise.

And I still feel the same way now. The stock market had a nice run last week and while it certainly is entitled to a little rest, I think any pullback is a buying opportunity until proven otherwise. If you are looking for something tangible to be concerned about, wait and see if the major stock market indices close below the price levels seen at their worst on July 18th. My gut says that a quick downdraft based on geopolitical news would go through that level during the day, cause a mini scare, but close above the key downside level and begin to rally shortly thereafter.

Please don't hesitate to hit REPLY or call me directly at 203.389.3553 to discuss how your portfolio is positioned.

Upcoming Appearances

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CNBC's Squawk Box - August 10 at 6:10am

CNBC's Worldwide Exchange - July 13 at 5:50am

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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