



December 20, 2011

4:13 PM EDT

Find us on Facebook 

Follow us on 

Inside this issue

[Would Rather Go to the Dentist](#)

[Enjoy the Rally... For Now](#)

[Bernanke Still a Winner in My Book](#)

[Upcoming TV Appearances](#)

[Investment Quotes To Live By](#)

[Friends And Family Plan](#)

Would Rather Go to the Dentist

FYI, I am scheduled to be on CNBC's Worldwide Exchange on Wednesday, December 21 from 5:35am to 5:55am and WVIT (NBC in CT) at 6:20am or 6:45am.

This past week, we moved houses for the second time in 16 months. Having only unpacked half of our stuff last time, I figured it would be a piece of cake. No problem. Boy, nothing could have been farther from the truth. I have affectionately described the moving process as a hellish nightmare. And that was with very good movers who came with two

crews and two trucks!

To epitomize the "fun" we had, after the movers finished up on Monday night, which was after we moved 15 car loads ourselves over the weekend, I went to the old house to load up some last minute items. With my wife's mini van packed up, I turned it on but the battery was dead. At 8:30pm, I was exhausted and about to scream. But my great neighbor came to the rescue 30 minutes later to jump the car.

While I waited, I went through the house, which was just scrubbed clean by a cleaning service. My nose felt a little weird and then it happened. Blood came streaming out all over the newly cleaned white bathroom tiles. Without any tissues or toilet paper close by, I ran to the car and used a fast food napkin to help stop the bleeding.

But the evening enjoyment didn't end there! With the car on and my nose okay, I crated up the cats and started cleaning out the room they were locked up in. I dumped all of the dirty litter in a Hefty bag to leave with the garbage. But on the way through the house, guess what broke ALL OVER THE PLACE? Dirty litter was everywhere! At this point, I was ready to be committed!

Could it get worse? Given how the day went, I was sure it would. And when I got home, my wife and I sat down for five minutes to debrief. All of a sudden, we heard a loud bang, like the roof was caving in. Thankfully, the roof was fine, but the movers put my daughter's bed together incorrectly and the whole thing collapsed... with her in it!

So there you have a microcosm of our move. So many things went wrong, I could go on and on and on. The best analogy of our move is what happened market-wise and economically in 2008. We thought it would never end. Fed chairman Ben Bernanke probably lived our house move in the financial markets everyday for more than a year! But we are beginning to settle in and I think I have broken down well over 200 boxes so far. The recycling guy is probably cursing us!

Enjoy the Rally... For Now

In the [last issue](#), we left with the stock market looking tired after the big post Thanksgiving rally, being unable to respond positively with the "good" employment news. At that time, I was looking for either a "quick, sharp down draft" or slower 2-6% pullback over a period of weeks. The market gave us the latter.

As you can see from the chart below, I show the first day where stocks

could not continue to rally with good news, a clear sign of a tired bull. The red boxes depict days where stocks closed lower than where they opened, also known as "heavy" behavior. Seeing so many straight red days is unusual in any market and at some point, like we are seeing today, the bears simply run out of ammunition and the bulls quickly spring back to life.



This is also one of the most seasonally positive periods of the entire year for stocks so it would be extremely rare for some type of rally not to materialize. There's an old adage on Wall Street that says, If Santa Claus should fail to call, bears may come to Broad and Wall. That means if we don't see the traditional year-end rally, a bear market is possible next year.

The decline we have seen in stocks from the recent peak is not unusual, but the market is supposed to rally to new highs from here if the seasonal trend continues. I am skeptical. I think the rally that began this morning will be relatively short-lived and stocks will head below this week's low. I continue to believe, as I mentioned in the last issue, that the bottom we saw at Thanksgiving, just to the left of the dark blue arrows on the chart above, will also be seen again, sooner than later.

The stock market may ride on Santa's sleigh for a few days to two

weeks, but the bears' work is not over. To me, this rally will end up being a short-term selling opportunity that leads to a really good buyable bottom during the second half of January. Longtime readers know that I like to see which sectors are the healthiest to determine the strength of the stock market. Right now, the more defensive groups like telecom, utilities, consumer staples and REITs behave the best. Good leadership should come from the riskier sectors like technology, energy and financials.

One intermediate-term positive to report again is that from the junk bond area, often a very good canary in a coal mine. Since collapsing during the August - October correction, high yield has acted very well and resisted the recent pullback in stocks. That should lead to better times for stocks after January, or sooner if I am wrong about more weakness coming.

As always, if any of this does not make sense, please don't hesitate to hit REPLY or call me directly in the office to discuss.

Bernanke Still a Winner in My Book

For many, many years, I have written about my utter distaste, dissatisfaction and general lack of any confidence whatsoever in former Fed chairman Alan Greenspan. But my view of Ben Bernanke has been much more positive, even in the face of the myriad of glaring mistakes he has made along the way.

Longtime readers may recall the article I wrote with a chronological list of his faux pa comments before the crisis was in full swing. It was laughable, yet I still felt more comfortable with Ben, more confident in his work than Greenspan's. I guess I just like the guy a whole lot better. And I truly believe that if Ben Bernanke were not Fed chair in 2008, the entire global financial system would have completely collapsed far worse than seen during the Great Depression, but we don't give credit for avoiding that.

While Greenspan used made up words and idiotic answers when testifying before Congress, Bernanke clearly tries his best to offer his concise opinion. While Greenspan liked the mystery and secrecy of the Fed, along with the Washington DC power social circle, Bernanke is tearing down the drapes, opening the windows and letting the world peer in to the Fed's research, thinking and process, and living life out of the social limelight.

I wrote about it the time and still believe today that presidential candidate Rick Perry did more damage to his campaign by essentially calling Bernanke a traitor than any of his competitors could have done. Even if I supported Perry, which I don't, that one comment to me is unforgivable for someone seeking our country's highest office. It's something I expect from all the conspiracy theorists who believe that Bernanke and the Fed secretly manipulate the markets and flood the system with money to control the world. Really? So how do they explain the 50% decline from 2000 to 2002 or debacle in 2008 to 2009? The Bernanke Fed publishes, in advance on their website, what their trading desks are going to do.

Anyway, there was an interesting article in the Wall Street Journal about Ben Bernanke and I wanted to share it with you.

[Bernanke's Legacy Still a Lagging Indicator](#)

Upcoming Appearances

ET NOW's Trading Calls - December 14 at 9:30pm

CNBC's Worldwide Exchange - December 21 at 5:35am

WVIT (NBC in CT) - December 21 at 6:20am or 6:45am

CNBC's Worldwide Exchange - January 19 at 5:35am

CNBC's Worldwide Exchange - February 15 at 5:35am

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

"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

"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.

[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.

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

Published by Paul Schatz. Copyright (C) 2008 Heritage Capital, LLC. All rights reserved.

StreetSmarts 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

Heritage Capital, LLC is an independent RIA not associated with any financial institution. Data used in this publication is gathered from reliable sources, although completeness and accuracy cannot be guaranteed. Performance results do not take into account any tax consequences and are not predictive of future results. This publication does not give any specific investment advice, does not provide financial planning services, or consider any individual's financial situation, needs or goals. This publication may not be reproduced or retransmitted in whole or in part without the consent of the author, Paul Schatz.

Important Disclosure Information

Heritage Capital LLC ("Heritage") composite performance results represent time-weighted actual performance results for continuously managed Heritage accounts, which individual accounts Heritage believes to be representative of its investment management process (i.e. mutual funds and exchange traded funds) for each specific strategy during the corresponding time period. The composite performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, and the separate fees assessed directly by each unaffiliated mutual fund and exchange traded fund holding that comprised each account, and the maximum investment advisory fee that the accounts would have incurred (by applying the Heritage's current investment advisory fee of 2.00% as set forth in its current written disclosure statement) during the corresponding time periods.

Please Note: Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, equal the performance results reflected, or equal any corresponding historical benchmark index. The historical index performance results for all historical benchmark indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical performance results for all indices are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a Heritage program meets, or continues to meet, his/her investment objective(s). A corresponding description of each index is available from Heritage upon request. It should not be assumed that Heritage account holdings will correspond directly to any such comparative benchmark index. The Heritage performance results do not reflect the impact of taxes.

For reasons including variances in the investment management fee incurred, market fluctuation, the date on which a client engaged Heritage's investment management services, and any account contributions or withdrawals, the performance of a specific Heritage client's account may have varied substantially from the indicated portfolio performance results.

In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise Heritage immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by Heritage) will be profitable.

Information pertaining to Heritage's advisory operations, services, and fees is set forth in Heritage's current disclosure statement, a copy of which is available from Heritage upon request. Performance results have been compiled solely by Heritage, are unaudited, and have not been independently verified. Heritage maintains all information supporting the performance results in accordance with regulatory requirements.

