
**July 12, 2012**

**3:03 PM EST**

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## Inside this issue



## From Architects to Restaurants

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We have had a lot of media exposure lately on CNBC, FOX, ET NOW and the newspapers, as all of the smart folks must have taken the summer off and they had to come to me. Hopefully you are receiving the quick updates and notes from Vestorly, but I also publish regular content on Facebook and Twitter, which you can click on above as well as our **blog** (http://investfortomorrowblog.com/).

As I often like to share, here is an interesting piece on the New York Times' blog for you grillers, courtesy of my mother-in-law Debbie. Click on the link **BBQ Hazard**. It certainly surprised me!
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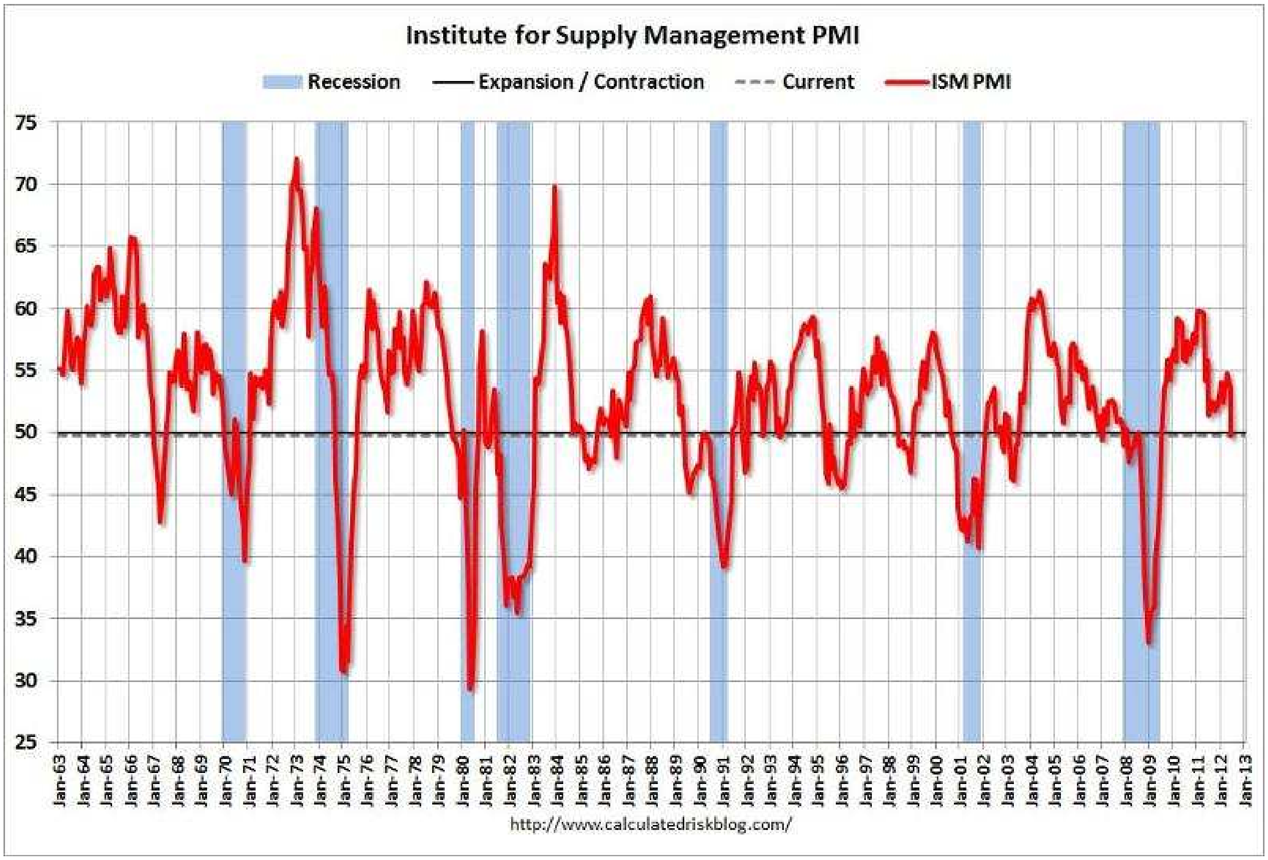
In the previous issue, **[What Would Thomas Jefferson Say to the Architects]()**, I showed one of the more esoteric economic indicators regarding billings from architects.  As the theory goes, if they are busy now, then we should see economic activity 3-9 months down the road.  It can be a bit noisy, but it does have some predictive value.

And now, I want to include another off the beaten path economic indicator called the Restaurant Performance Index (courtesy of Calculated Risk Blog), which is good barometer of the middle class consumer who frequents so many of the casual dining chains.  Unlike the architects whose billings have tailed off, the casual diners are still going strong.  Looking at this chart, the group was spot on in confirming the recovery 10 years ago as well as the recession that began in early 2008.  They were premature in mid 2010 and 2011 in calling for recession.


The indicator below is a key watched number by Wall Street economists. Anything above 50 signifies a growing economy and below 50 is a shrinking one.  If you watch any of the popular business channels, you have probably seen this mentioned once or twice.  But for me, I find it to be way too noisy and effective.   Similar to how the last 12 bear markets have correctly predicted the last four recessions, this too gives more warnings than accurate forecasts and needs to be coupled with other indicators to really be used effectively.  Just look at how many times in the 1990s it fell below 50.




## Even in a Trading Range, Plenty of Sectors Move

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The forecast for the stock market to remain in a trading range bound by the April peak and June low stands.  In other words, I think stocks are pretty much at equilibrium over the intermediate-term.  Below you can see on a chart of the S&P 500 what I am referring to.  Over the short-term, however, the rubber band has been stretched to the downside and the odds favor some strength into next week.

I think eventually that both sides of the range will be broken, but that will take a longer period of bouncing around from top to bottom.  Those moves will create more and more tension, like winding up a rubber band.  When the market finally goes, it should be a big move.  Keep in mind that many times, the market's first move out of a trading is a false start.  Sometimes price will break out and then immediately come back, while other times it will not only come back, but move quickly to the other side of the trading range and break out from there.
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Just because I believe stocks are stuck in a range doesn't mean there won't be opportunities to make money.  Below you will find a few current examples where the market has gone nowhere, but certain sectors are at or close to 2012 or all time highs.


(XLP - CONSUMER STAPLES SELECT SECTOR S,D) Dynamic,0:00-24:00
All-Time Highs in Consumer Staples
Published by eSignal (www.esignal.com)


(XLV - HEALTH CARE SELECT SECTOR SPDR F,D) Dynamic,0:00-24:00
All-Time Highs in Healthcare
Published by eSignal (www.esignal.com)

IYR - ISHARES DOW JONES US REAL ESTATE,D) Dynamic,0:00-24:00
Fresh 2012 Highs in REITs
Published by eSignal (www.esignal.com)


XLU - UTILITIES SELECT SECTOR SPDR FUND,D) Dynamic,0:00-24:00
Fresh 2012 Highs in Utilities
Published by eSignal (www.esignal.com)

So you can see above that healthcare, staples, REITs and utilities have all behaved very well.  That's the good news.  Another observation is that these are also not the sexiest sectors and certainly not the sectors that usually lead a healthy bull market.  They are defensive in nature.  While they may offer opportunities during this overall trading range, I want to see sectors that have more power, more punch, more juice lead the stock market higher if we see an eventual breakout above the April peak.  We need to see semiconductors and financials and energy start to step up.  I would even settle for some industrials, but we cross that bridge if and when we get there.

And let's not forget three key areas I discussed in the last issue, transportation, S&P 400 mid caps and high yield bonds...

As always, please don't hesitate to contact me directly to discuss your own personal situation or any of the content in this issue.

## What I Wish I Knew

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*By Andre Orcutt*

As a recent college graduate looking back over my life in the financial realm, I am somewhat struck by the fact that I was not given enough information, or perhaps the right information, for what I now consider as vital for financial success later in life.

Growing up in a middle class family, I had all the comforts I needed as a kid. I knew that mom and dad made decent money. My parents did instill a great deal of work ethic in me as a young child and teenager. I had to work for my weekly allowance and when I was 13, I began work in my parents' small town Sears store.

Although I am grateful for the sense of urgency and work ethic I gained as a young man, I wish I had instilled in me earlier the need to save and a greater understanding of the cost of credit. With the benefit of hindsight, I feel that once a child is old enough to spend his or her own money they should be educated on the importance of good credit, saving money, and long-term goals.

Bringing this back home to my situation, I am now 25, making minimum payments on three credit cards and a few student loans. With the economy in its current state, and my own finances in limbo if you will, I have realized - hopefully not too late - the importance of financial knowledge and its benefits. When I was asked to write this article, I wanted to tell parents that the most important information they can share with their children is the cost of debt. Paying for an item on credit can mean paying double its price over
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time. As proof I offer one of my credit cards. With a $1,800 balance, making minimum payments of $45 (18% annual interest plus 1% balance), it will take me 14 years and $2,122.98 in interest to pay off my balance.

> *"We cannot always build the future for our youth, but we can build our youth for the future."* -Franklin D. Roosevelt (1882 - 1945)

## Upcoming Appearances

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CNBC's Closing Bell - July 6th at 3:00pm

Fox Business' Markets Now - July 9th at 1:00pm

ET NOW's Trading Calls - July 12th at 10:30pm

Fox Business' Markets Now - August 8th at 1:00pm

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

"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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