September 21, 2012

12:52 PM EST

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Inside this issue

The Hot Guy

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To begin with, my son had his second cast removed and now has a soft cast for three weeks. It seems like too long ago that he fell on day one of vacation trying to balance on a wet beach ball and spent the rest of the time away from the beach and water.

On the last day of our trip, I got a good chuckle from an unlikely source. There was an anchored raft a few hundred feet offshore that we often swam out to. On that day, I did so by myself to join the seagulls. As I sat out there in the sun, there was a group of teenage girls swimming in the shallow waters, giggling and speaking on the loud side.

For the next 15 minutes they kept pointing to the raft and giggling some more. It was clear they were talking about me, but I couldn't make out exactly what they were saying. The group grabbed some boogey boards
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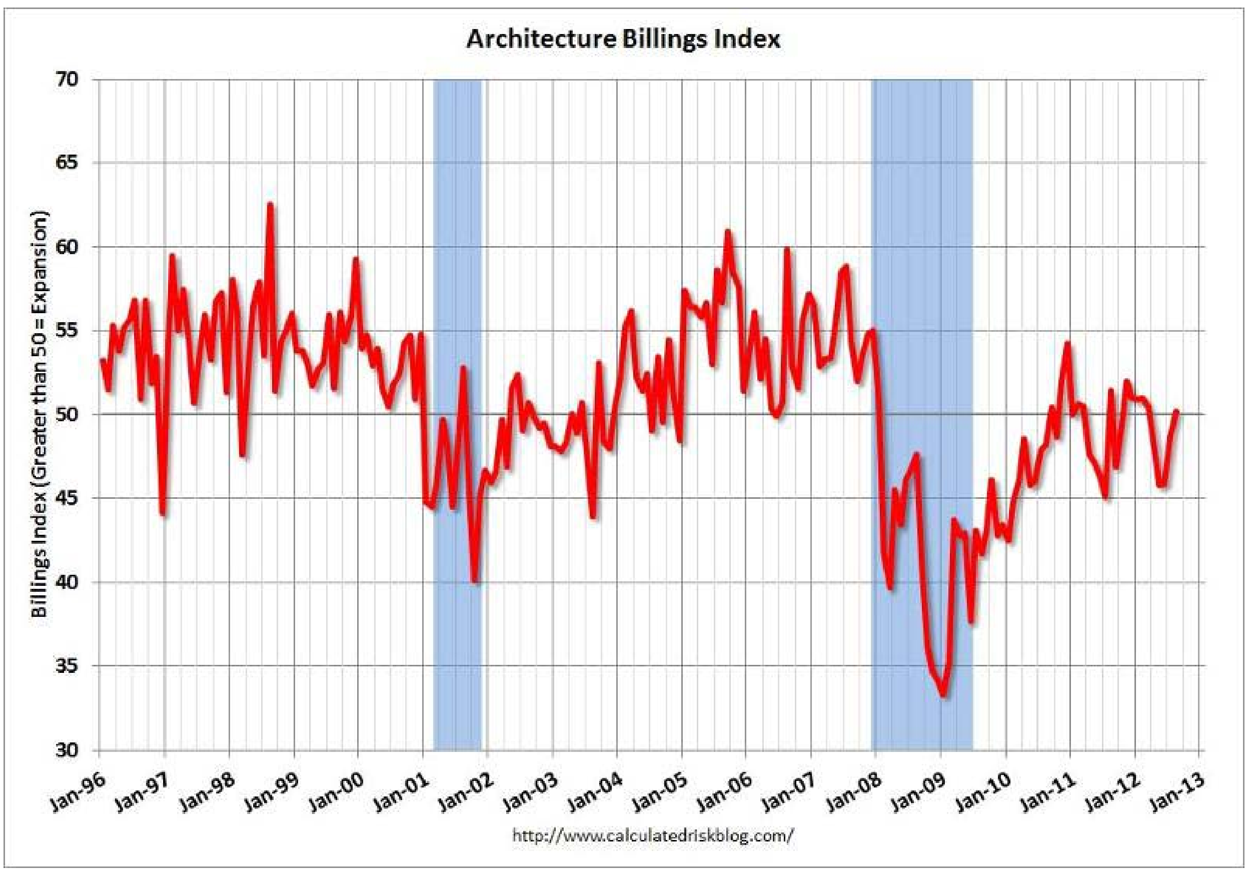
and started to make their way out to the raft together. About half way out and for the next few minutes, I heard them talking about "the hot guy on the raft" along with some other flattering comments. "Do I look that young?" I thought. I have my hair and I am in pretty good shape, but THAT young? As they approached, their excitement turned to disappointment (and probably disgust) for the group as one of the girls uttered, "that's not a hot guy, that's an old man!"

Turning to the economy, one of my favorite off the beaten path indicators is the Architecture Billings Index, which I have shown here before. One thing about this index is that it doesn't miss recessions. It may give too many warnings, but it doesn't stay strong when the economy is rolling over, so I think it pays to keep an eye on it and accept its volatile nature.

As you can see below, this indicator continues to oscillate on either side on the 50 line, which is basically neutral. I wouldn't be at all surprised if readings later this year trend toward the 55 area as the news on housing is so much "less bad", it may be even be okay as we first discussed last January in our **2012 Forecast**.



In the next issue, I will show you a chart of how the hotel industry has recovered and the message its sending, which surprised me!

The Canary Lives On

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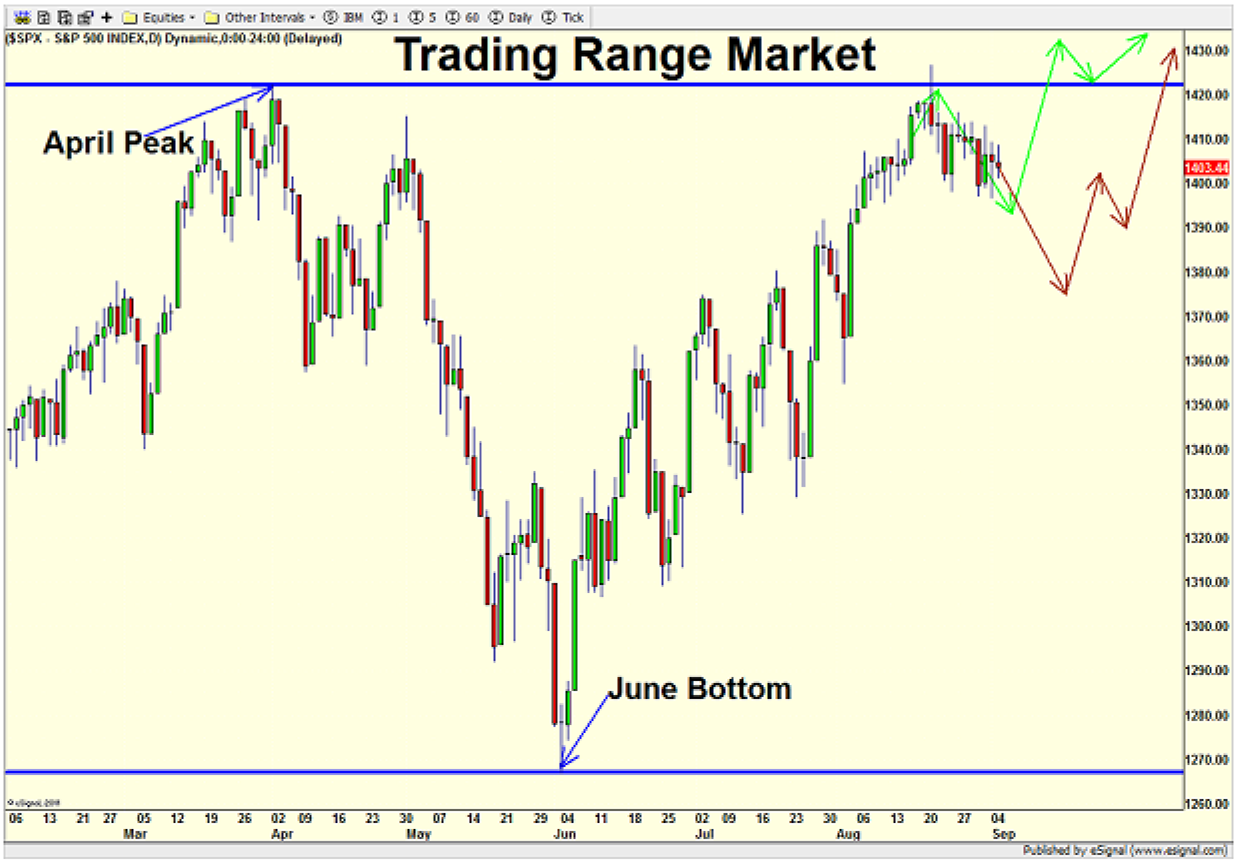
When we left off in the last issue, I offered two possible paths for the stock market, both resulting in new 2012 highs as you can see from the chart below. The more bullish scenario in green called from an immediate move to new highs, while the maroon one saw a deeper pullback first.



The day after I published that issue, stocks soared to new highs in one fell swoop on news from the European Central Bank that they were taking the next step in the bailout process by essentially pledging to buy an unlimited amount of debt from Spain, Italy and any other country who saw their yields skyrocket. That's as close to shock and awe as we have seen from the ECB, but as you know my writings over the years, I continue to believe it's only the beginning!

The next chart below is where the market is right now with the previous green arrows left in. Stocks continue to absorb any negative news with great resiliency and today was case in point. Last night, Norfolk Southern Railroad preannounced weak earnings. This company is a bellwether for the economy, just like UPS and Fedex which also preannounced negatively. Yet the market is taking it all in stride and just pausing to refresh.
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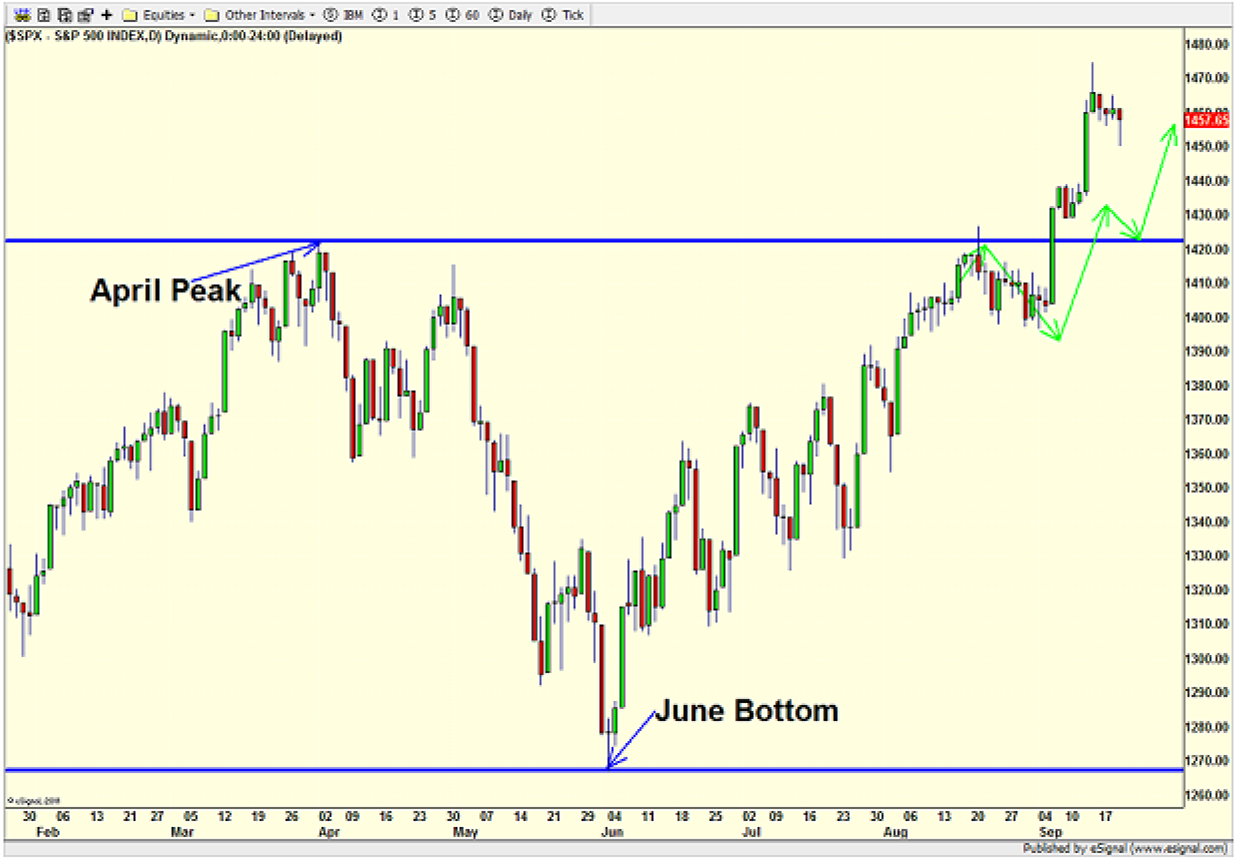
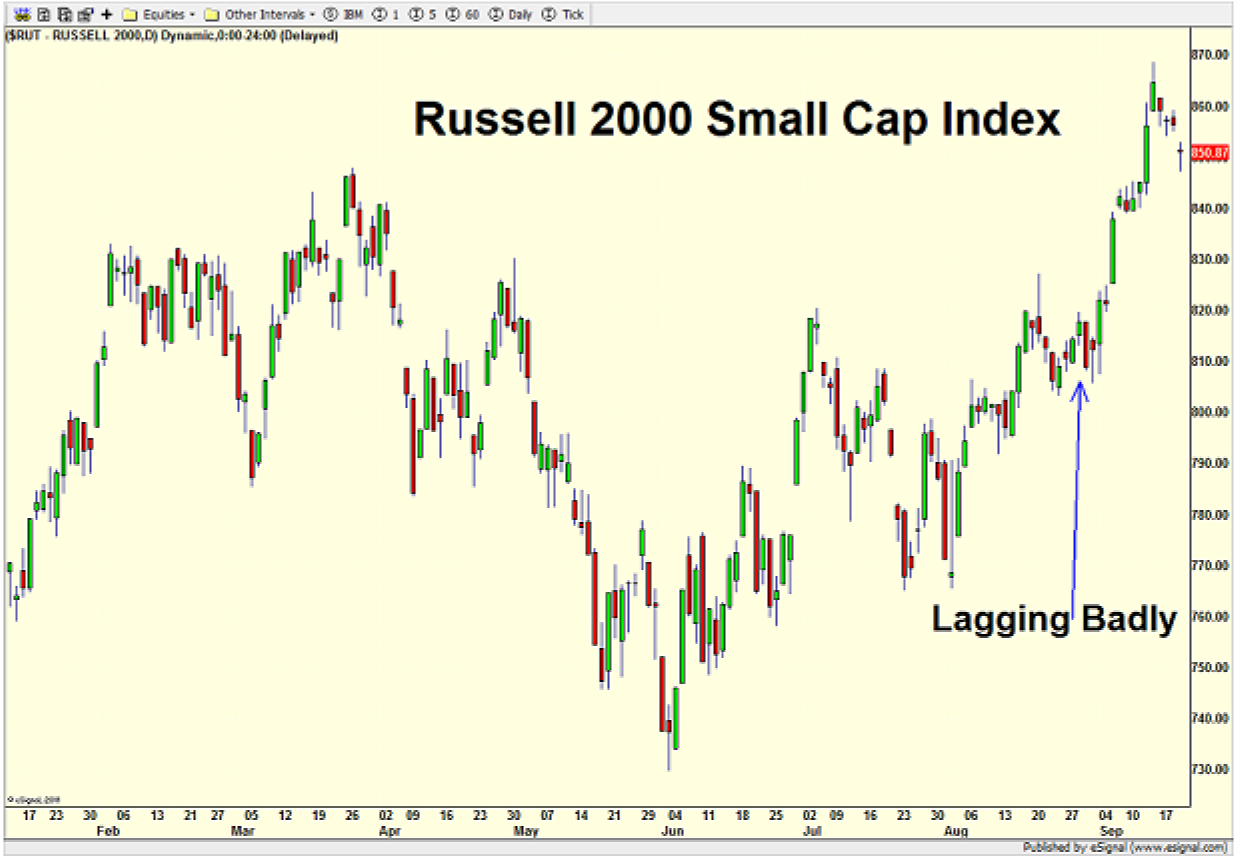


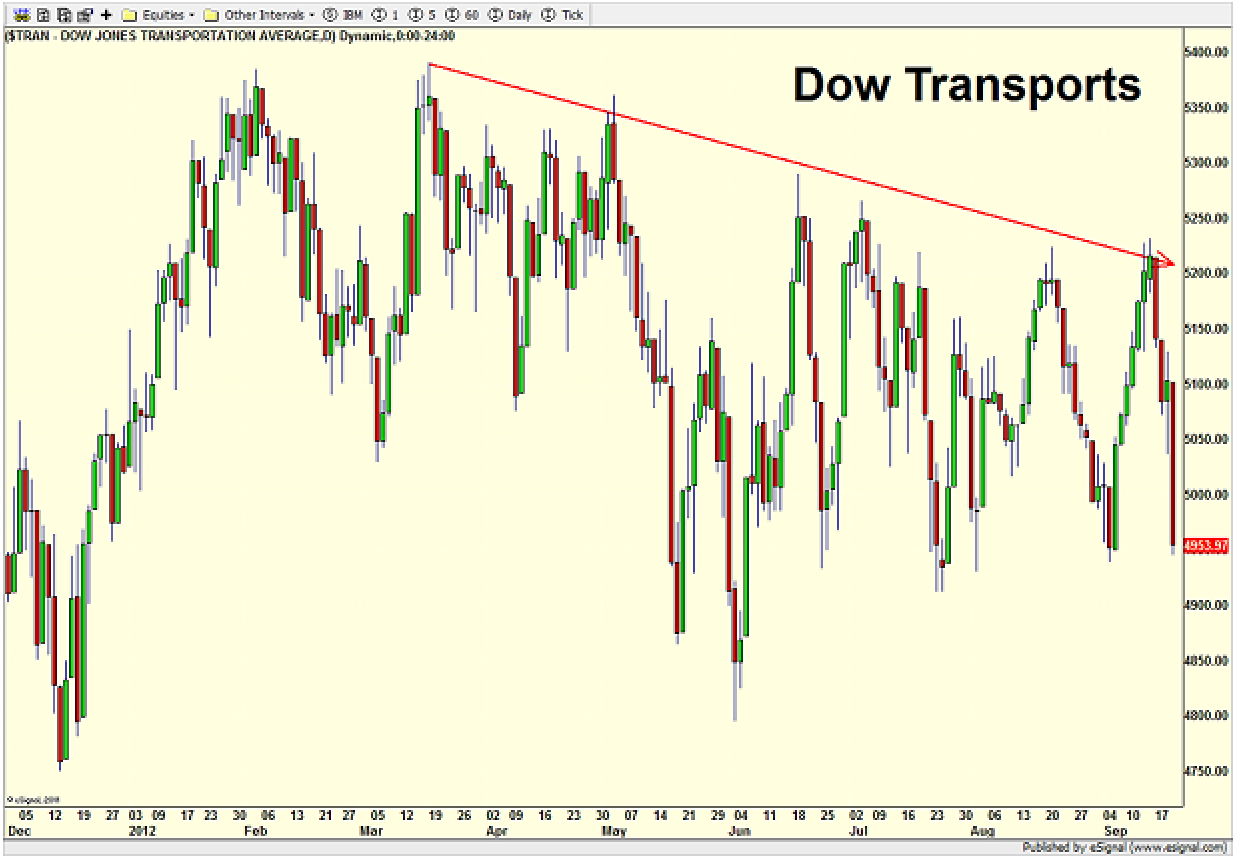
Over the past few months, several cracks in the pavement began to appear. While the S&P 500 and NASDAQ were sailing along in tandem with the Dow, the mid caps and small caps were badly lagging, warning of decreasing liquidity and less broad participation in the rally Below you can see the S&P 400 Mid Caps first with the blue arrow showing the glaring weakness. But the rally of the past weeks has placed this index at new 2012 highs, erasing the cautionary flag. The canary lives on.

The Russell 2000 Small Caps are next and you can see a similar picture with the blue arrow. But like its mid cap cousin, the Russell 2000 Index took advantage of the recent rally to play catch up to the Dow, S&P 500 and NASDAQ. The canary lives on.

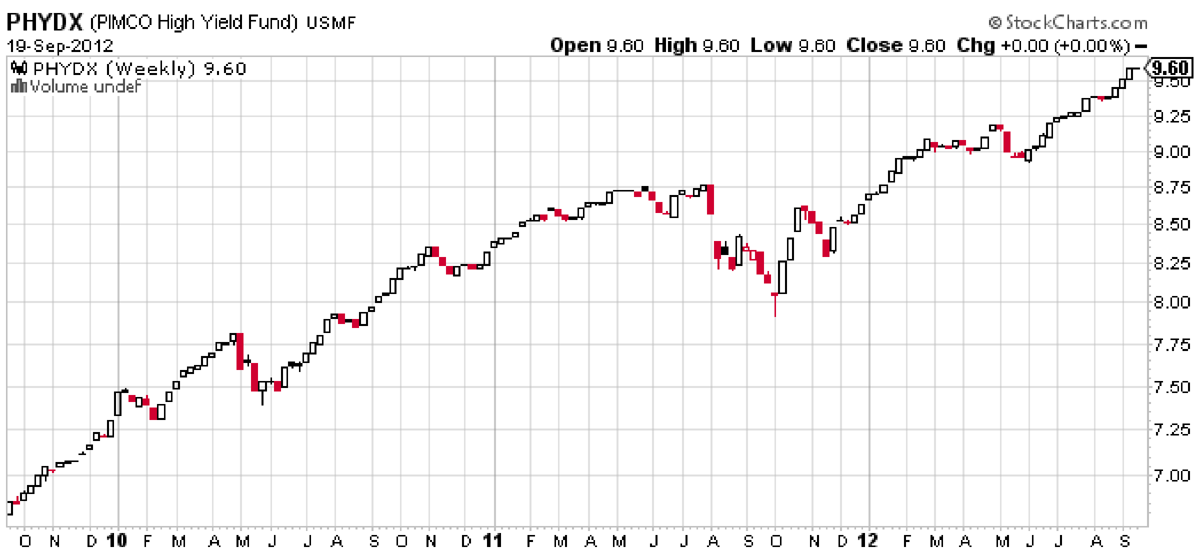


What else worried me? The lack of leadership from semiconductors, which is another canary in the coal mine. As go the semis, so goes tech; and as goes tech, so goes the broad market. As you can see below, the semis still have a lot of work to do to relieve this concern and the canary is having a little trouble breathing.

Ditto for the Dow Transportation Index as Norfolk Southern and Fedex are taking their toll. As you can see below, that although the stock market continues to march up to new 2012 highs and beyond, the transportation stocks are nowhere close. Divergences like this can remain for some time, but the longer they last, the bigger the consequence when rectified. This is probably the biggest concern for the canary over the long-term if not corrected.



I also mentioned the warning sign from the total number of shares trading in technology stocks versus non-tech stocks. This has not yet been repaired. On the flip side, the NYSE advance/decline line continues to score all time highs along with high yield bonds, both signifying liquidity. Below you can see the chart of the PIMCO High Yield Bond Fund, which is one of largest and oldest, a good indicator for the sector. The canary is at full strength here.



Overall, the recent rally was able to fill some holes in the market and I do not believe we have seen the final highs. Whenever price runs hard in either direction, there is usually some corrective action and that is long overdue here, somewhere in the 2-8% range, which should begin over the coming few weeks. But we should still see more upside after that pullback.

If you haven't had a good portfolio check up in a while, now is an excellent time! Please call me at 203.389.3553 or reply to this email.

NOT Your Grandparents Retirement

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Retirement is taking on a new face as the average life span lengthens and financial uncertainty keeps more older Americans in the job market.

The trials and tribulations of Social Security illustrate the changing demographics quite dramatically. When Social Security was initiated in 1937, 40 to 50% of the U.S. adult population died before reaching age 65. Today more than 70% of working age men and more than 80% of working age women can expect to live to 80 or 85 years of age. And they are living healthier lives. In fact, the greatest health risk may well be retiring.

Life Expectancy for Social Security

Year Cohort Turned 65	**Percentage of Population Surviving from Age 21 to Age 65**		**Average Remaining Life Expectancy for Those Surviving to Age 65**	
	Male	*Female*	*Male*	*Female*
1940	53.9	60.6	12.7	14.7
1950	56.2	65.5	13.1	16.2
1960	60.1	71.3	13.2	17.4
1970	63.7	76.9	13.8	18.6
1980	67.8	80.9	14.6	19.1
1990	72.3	83.6	15.3	19.6

Source: Social Security Administration, http://www.ssa.gov/history/lifeexpect.html

The Longevity Project, a major study by psychology professors Howard S. Friedman and Leslie R. Martin, followed participants over eight decades. It found that "[T]he continually productive men and women lived much longer than their more laid-back comrades. ... It was not the happiest or the most relaxed older participants who lived the longest. It was those who were most engaged in pursuing their goals." Studies of countries with different retirement ages have also found that those who continue working in their 60s have better memories than those who retire early. Heading off dementia also appears to be directly correlated in most cases with keeping
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active.

As a result, when we look at retirement planning with clients today, the question we ask more and more is not "when do you anticipate retiring," but "when do you anticipate needing access to your investment funds."

Among the non-traditional retirements we have seen our clients embark on are:

- **The new career** - Sometimes retirement is just a chance to start over in a new employment opportunity. It's a chance to explore different talents and ideas you may have, or maybe step back to a lower stress position.
- **The new business** - Which says it all. The challenge here is to preserve your accumulated assets and limit the amount of risk exposure to the new business.
- **The senior resource** - Service firms where knowledge and experience provide insights into current issues, such as law firms and CPA firms often include the "senior" advisor, a semi-retired partner who fills in when needed or offers a historical perspective to client issues.
- **The senior rainmaker** - The senior rainmaker puts to work a lifetime of connections in the industry to bring in new business. This can include attending conferences and luncheons to keep the firm visible to potential and existing customers, serving on advisor boards that contact potential clients, and much more.
- **The director retiree** - Retirement becomes an opportunity to serve on boards of both for profit and non-profit organizations, bringing a lifetime of experience to the position.
- **The retiree volunteer** - Work is replaced by part- to full-time volunteer activities, typically focusing on a lifelong passion that there was limited time to pursue while working.
- **The retired student** - Retirement may be an opportunity to pursue studies in a new field.
- **The retired travel writer** - Writing about travel experiences can give an added zest to the adventure and provide write offs and potential income.
- **The political retiree** - Older Americans are the staple of local political organizations from manning poll booths to participating as electoral delegates. Many are also running for public office and not retiring from public service until well into their 70s and 80s.
- **The philanthropist retiree** - Senior years may also be the time to change the world one person at a time. Many older Americans have launched into second careers as philanthropists, missionaries, and foreign aid workers.

Where your plans for retirement and your need for cash will be in the future depends a great deal on the person you think you will be in retirement. Make certain that is part of your discussion with your financial adviser!

Upcoming Appearances

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ET NOW's Trading Calls - September 23 at 10:30pm

Yahoo Finance's Breakout - **Bull Markets Die Hard**

Fox Business' Markets Now - October 4th at 1:00pm

Global Market Summit - November 29 in New York

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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