June 9, 2014

5:09 PM EST

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Inside this issue

Where New Money Comes from

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To open, I had such a great time on CNBC's Squawk Box last week discussing the markets, etc. with the gang. For some reason when I dropped my comment about the bull market being old and wrinkly with Joe and Andrew diving in, the video did not catch it. Anyway, here is the link. **Squawk Box Segment**

It seems like I have been apologizing a lot lately for not publishing more issues of Street$marts over the past month or so. Part of it has to do with writing more short-term and timely pieces on **www.investfortomorrowblog.com.**

Part of it is that the office has been much busier than normal with new clients, client meetings and calls as well as research and trading. We are launching
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another strategy on July 1 that I will share in the next issue. Finally, I have been coaching a tee ball team and softball team for two of my kids and I wouldn't change that for anything.

Turning to business, I always find it very interesting to see where the new money comes from when a client initially engages us. During bear markets and early bull markets, we mostly see new clients transferring money in from other advisors, brokers and mutual funds, presumably due to unhappiness with performance.

During the meat of a bull market, we receive a large number of 401K rollovers. I take that to mean that clients are content with their current advisor, but want to spread the wealth around.

The longer the bull market lasts, the more new money we see in the form of checks (cash), which is what is coming in now. From my seat, many of those clients have sat on cash for a long period of time and end up with what Charles Stucke, chief investment officer of Guggenheim Partners, refers to as Gain Regret. Investors have a certain risk tolerance, usually lower, and become unhappy when their portfolio or account gains a small amount when the stock market soars.

I am sure if someone in academia did a study using Vanguard, Schwab or Fidelity, they would find similar results along with the emergence of an investor behavior cycle.

Don't forget to check our blog for intra-issue updates.**www.Investfortomorrowblog.com**

Moron Moments of the Week

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As some of you know, I am somewhat active on Twitter and Facebook. I mostly post market comments with the occasional personal or sports tidbit, like Rangers in 7 or Heat in 6. Last week, there were a few head scratchers in the news that I affectionately called Moron Moments of the Week.

Apple spent $3 billion to buy Beats, a headphone maker which sells inferior products as my experts tell me. Good job Beats!

Steve Ballmer paid $2 billion for the embattled L.A. Clippers. My best friend whose group recently purchased the Milwaukee Bucks for a record $550 million also bid on the Clippers and valued the franchise at well under $1 billion. Donald Sterling gets rewarded for being a racist and lunatic.

Troubled PIMCO, which I have written about before **HERE**, coaxed former insider
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Paul McCulley to unretire. Reading into the press release, McCulley who is best known in retirement for his long mane of hair with beard to match committed to working only 100 days per year or roughly 40% of the time. Does anyone else think Bill Gross was desperate?!?!

Smart people sometimes do dumb things. Smart people who are rich sometimes do even dumber things. Why? Because they can...

Early Equals Wrong

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The bull market of 2009-2014 has to be one of the most disavowed, unloved bull markets of all time. Each and every time it sees even routine weakness, bears come out of the woodwork with calls of 1929, 1987 and 2007 all over again. And then stocks stop declining and continue on their merry way higher. This is exactly how long-term bull markets survive, thrive and work higher.

I can't tell you how many very smart (and some not so smart) industry colleagues have been either calling for the end of the bull market or for a 20% decline for years. I read their weekly newsletters and just scratch my head, not because they are wrong. I am wrong more times than I want to remember. It's okay to be wrong in this business, but you cannot stay wrong for months and months, quarters and quarters. You can't break out prominent interviews and articles from others who are also wrong and use them to substantiate your wrong position. Too many people sit and wait with losing positions and reason it away as being early. In this business, early equals wrong.

It isn't until the masses buy every dip that the bull market begins the topping process. Remember, I said "begins" not "bull market immediately ends". If you remember back to late 2007 and early 2008, stocks pulled back during the fourth quarter and the masses bought. And when the market had a 20% decline in January 2008, only short-term sentiment became sufficiently negative to support a rally. Intermediate and long-term sentiment remained positive until the Lehman fiasco.

Russell 2000 Trying to Join Party

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Over the past few months I have often warned here and on the **blog** about the warning signs being given by the major stock market indices not all being in sync together. With 32 months passing since the last 10%+ correction, the bearish camp is hoping that age alone will befall this market. History suggests otherwise.

Historically, major index non confirmation or divergence is typically a sign of a market about to correct or in the most extreme cases, the end of a bull market. This behavior was seen at the secular peaks in 2007 and 2000 as well as major peaks in 2011, 1998 and 1990. But before you jump to the bearish conclusion, it was also seen other times during bull markets that led to only minor (<10%) declines. The key factor in determining the seriousness of the warning sign is how many other flashing red lights are also active. Today, there are but a few.

In this case, as you know, I believe the bull market is aging, but not dead, and a 10%+ market correction is not around the corner, at least not yet. Rather, I have been waiting for either the major index warning signs to dissipate or many more to pop up and snare the stock market in a 4-8% pullback.

With the Nasdaq 100 and S&P 400 joining the Dow and S&P at new highs, only the Russell 2000 (seen below) is left to join the party. The reason I am not overly worried about the small caps lagging is because they have been leading the rally over the past week and very well could challenge their all time highs before long. A change in that performance over the coming weeks would cause me to expect a pullback but not much more.

If your portfolio isn't performing as you expect or would like an independent evaluation, please hit reply or call me directly at 203.389.3553.

Refuting the Bears

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Bears will point to overly bullish sentiment readings and anemic volume as reasons to be wary of "The Big One" or bull market ending. They are absolutely correct regarding the sentiment surveys, but this story has been seen before. And sentiment is almost always much frothier than the high positive readings of today. Sometimes, a correction unfolds while other times the market enters a trading range. And in outlier cases, every once in a long while, stocks begin to melt up to a major peak down the road.

Total stock market volume has become one of the most misunderstood and overused indicators. In the good old days, it was a valuable analytical tool, however, with the proliferation of exchange traded funds (ETFs), high frequency trading, decimalization and off exchange dark pools, New York Stock Exchange volume is no longer accurate in my opinion or largely valuable.

The entire bull market since 2009 has been on a lower and lower reported volume with higher and higher prices. In fact, heavily increased volume has only been seen during pullbacks and corrections since 2009. Technical analysts Edwards and Magee of Technical Analysis of Stock Trends fame will probably roll over in their graves with this comment, but **reported** volume does not really matter anymore in technical analysis. (That should open the floodgates of emails from the TA crowd.)

Upcoming Appearances

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Fox Business' Opening Bell - June 24th at 10:00am

Yahoo Finance's Breakout - June 24th

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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"The only easy day was yesterday."

- The U.S. Marines
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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, 1984

"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

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