July 3, 2014

11:24 AM EST

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Inside this issue

As we celebrate our nations freedom

we honor the courageous men & women
dedicated to preserving it.

Have a safe, peaceful and happy
Independence Day ~

Best Father's Day Gift

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I am scheduled to be on CNBC's Squawk Box this Monday at 6:05am discussing today's solid employment report, the Dow hitting my 17,000 target (18,000 could be next) and what's in store for the second half of 2014.

Last month's **CNBC Segment** was a lot of fun and I always enjoy having a discussion with Joe. At the end of the segment, Joe went off on a World Cup tangent so I had to bring it back to the stock market as I was signing off and yell "Dow 18,000 on the way". They laughed. 940 points away...

Although I did not get the gift I wanted for Father's Day which was a victory by Phil Mickelson at the US Open, my kids each gave me something special that focused on our relationship. But one of the best gifts I have ever received was the link below. I love the little comments under the pictures. Hat tip to my awesome wife Teri!

http://animoto.com/play/BYqFGKyQ5RpH1vm9bkONmQ

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

Bears Continue to get Stampeded

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Small Caps Play Catch Up in BIG Way

When we last left off, the major stock market indices were all playing nicely together except for the small cap Russell 2000 which had seen a full fledged 10% correction, but was beginning to bounce. The performance of that one index was a key ingredient to the bears' negative stance on the market. At that time, here and on the **blog**, I dismissed the Russell's warning and went so far as to call for all time highs before long.

On the first day of the new month and quarter, the Russell 2000 joined the S&P 500, S&P 400, Nasdaq 100 and Dow to score fresh all time highs. At the same time, the New York Stock Exchange Advance/Decline Line, which is a barometer of health on the NYSE also saw a new all time high along with many other sectors and indicators. This continues to be intermediate and long-term positive for the bull market.

More shorter-term, the market can best be described as grinding or creeping higher day after day. When you are on the correct side, there is nothing better. This kind of market has been seen many times since 2009 but rarely before that. The most common ending is a sharp and fast decline that wipes out a lot of gains in short order but does not end the bull market. At some point that scenario will become more likely.

The Market People Love to Hate

Remember, as I have now said for two years, this bull market may be old and wrinkly, but certainly not unhealthy or about to die. It continues to be the most unloved and disavowed bull market of my lifetime. Instead of friends asking me for the latest or greatest "hot" tip which I would expect at Dow 17,000, I am frequently pushed to opine as to when this all ends or when the big correction is coming.

And it's not just individual investors. On a daily basis I speak with other advisors as well as the media. It really surprises me how many peers have been negative, are negative and will be negative. This is a market where people in my industry should be raising lots of money. Markets have been "easy", meaning there has not been any significant downside since June 2012.

I think it's very hard to run an investment management business being a perma-bear or holding on to the belief that although stocks have rallied, they remain in a secular (long-term) bear market that began in 2000 with the Dow at 11,750. That's crazy in my humble opinion.

On the media side, they may have finally realized that I have a better face for radio than TV, but it certainly feels like they are not as interested in my bullish stance anymore now that the market has rallied. I have lost several opportunities lately because my opinion wasn't bearish or I wouldn't forecast some kind of doom (my word) on the horizon.

You can accuse the Fed of manipulation or supporting the market or anything you want. But the reality is that this has been one of the most powerful bull markets of all time. From my seat, as long as investors ask questions about the downside, advisors are bearish, the media only wants to sell negativity and my Twitter feed is full of bears, the bull market will live on.

How It Usually Ends

Yes, the market is 33 months from its last 10% correction and some surveys show complacency, but bull markets do not usually end with a whimper. There are typically many warning signs long before the bear comes out of its cave. Today, we have almost none. Additionally, the market historically sees a 10% correction where the end of the bull market is claimed by the masses, only to see yet another rally to new highs take shape. We haven't even seen the correction yet. And before the 10% correction, there should be a modest 2-4% pullback.

Don't get me wrong. Investors need to remain vigilant and active and on top of their holdings. Or hire someone like me to do it! (Shameless plug) Throwing caution to the wind and taking a "get me in at any price" mentality will likely end in ruin. Eventually, stocks will pullback, probably sooner than later, and finally correct 10% or more. But as I have been saying for years, any and all weakness remains a buying opportunity until proven otherwise. These kinds of markets are rare and should be fun. It's too bad that so many can only see negativity.

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.

No Inflation in Energy Prices

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With the various global tensions impacting the energy market, I thought it was appropriate to write a few articles about crude oil and how viewing different time horizons yield very different opinions. This is part I to be followed by part II next week.

To begin with, energy and more specifically, crude oil, has an enormous impact on the global economy. From common sense items like heating our homes and powering our cars to more derivative things like chemicals and asphalt, crude oil is a vital ingredient in the global economy.

It still seems like yesterday that the pundits confidently proclaimed oil above $40 a barrel would cause a severe recession and $75 would spell depression. That was when Iraq invaded Kuwait in 1990 and of course, they were wrong. From its generational bottom at $10.65 in 1998, oil almost quadrupled by mid 2000 without any economic pause.

From the post 9-11 low at $17, oil once again quadrupled by 2006 to $78.40. And again, there was no economic slowdown let alone recession, save depression! It wasn't until oil went parabolic in 2008, straight to $147 that, combined with the financial crisis, spelled doom for the economy.

What's the takeaway from this very basic and brief study of energy prices?

*As we have seen since 1990, higher oil prices do not equal higher inflation.

*Runaway oil prices over a period of time don't equate to a recession.

*Third and perhaps most important, in my opinion, the American consumer is very able to cope with higher energy prices as long as they occur over time and not in the form of a shock. Obviously, if gas was $10 a gallon, that would severely impact the economy, but $100 oil did not stop the global economy and I would argue that if the financial crisis was not unfolding, the economy may
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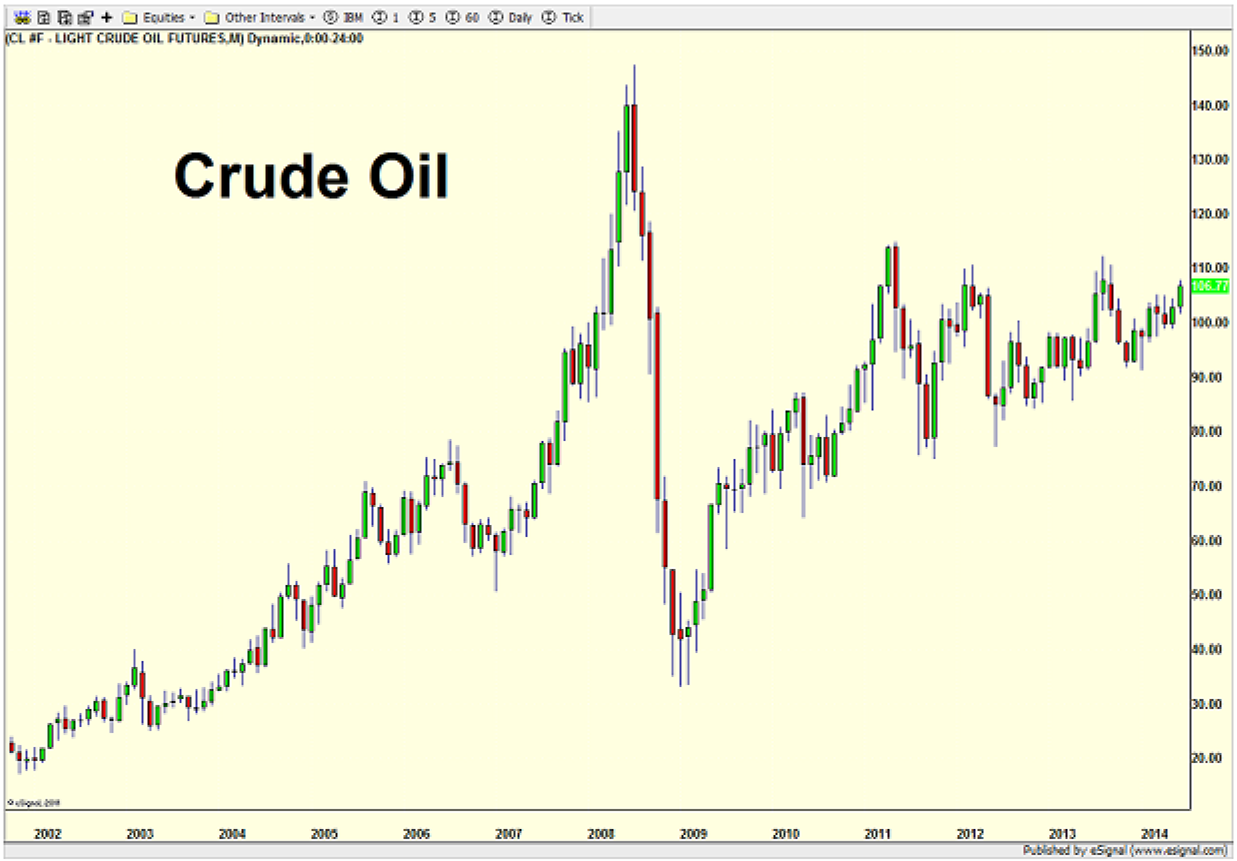
have paused and perhaps even mildly recessed, but it would not have collapsed solely due to oil prices.

Today, I am often asked where I believe crude oil is headed and at what level we should worry that the economy will be adversely impacted. First, it certainly looks like oil is headed higher, right from here at $104. Oil traded to fresh 2014 highs last month and is now resting. Once $108 is exceeded $115 should be next before long. That level is really the "put up or shut up" spot for energy and as a consumer, my "hope" is that the rally ends there. Surpassing $115 opens the door to some much higher scenarios that most of us do not want to see!



How will I know when I am wrong? Seeing it close below $102-103 would change my opinion from positive to neutral with risk being relatively small.

Regarding the economy, I do not believe $108 or $115 or even $120 will have much of a negative impact. However, a spike beyond that which does not quickly reverse could begin to drag on the consumer later this year into the winter. We can cross that bridge if and when...

For full disclosure, our Global Asset Allocation program owns a position in GSG and that commodity ETF is heavily weighted towards energy.

Investment Quotes/Adages To Live By

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"The only easy day was yesterday."

- The U.S. Marines

"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
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"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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To Your Financial Success,

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