May 12, 2015

2:01 PM EST

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Meeting Some Legends

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There has been a lot of day to day volatility in the markets, but not as much on a weekly basis. I publish a lot of content on **www.investfortomorrowblog.com** on a short-term basis that sometimes ends up here. If you would like to be notified when a new post is up, here is the link to sign up.**http://www.investfortomorrow.com/BlogAlerts.asp**

I am going to be on Fox Business' Making Money with Charles Payne tonight, May 12, from 6 pm to 7 pm as well on the 21st.

Those who know me have long realized that I am anything but shy and have no qualms about approaching someone and striking up a conversation. The last few times I visited Fox, I met some personalities I have long admired, Lou
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Dobbs and Monica Crowley. You don't have to agree with their opinions and sometimes I don't, but you could not find two nicer, more pleasant and genuine people.

I sat with Lou Dobbs in the make up room and he was so relaxed, insisting that people stop calling him Mr. Dobbs. "I'm Lou. Always have been, always will be." He chatted about personal and family things and was very gracious when anyone asked him for anything.

Monica Crowley has been a right wing pit bull for years and she really surprised me when we sat and chatted before going on. While I was peppering her with questions about politics and our broken political system, she was much more concerned about pictures on my phone of my family and pets. She seemed fascinated when I shared that I coach all of my kids teams and volunteered so much time on local boards.

The cynics out there will argue that they're all fake and acting, but I didn't get that feeling. I thought both were very genuine, people whom I would enjoy grabbing a drink with and shooting the breeze.

Here are a few good segments from last month on the show:

[**How to find a Sugar Daddy**]

[**Stocks with good charts to buy**]

[**ETFs for passive, tax free income**]

Don't forget to check our blog for intra-issue updates.

www.Investfortomorrowblog.com

Employment Report Turns the Tide

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One of my long held beliefs is that it really doesn't matter what the news is, only how the markets react. In almost 27 years of trading, investing and watching, I have seen it too many where the news is so powerful in one direction, yet the market reaction is the exact opposite. Hence, the terms "buy the rumor, sell the news" or "sell the rumor, buy the news". And sometimes, the news is as expected, yet markets see a more violent reaction. That was the case on Friday with the April employment report.

Since the economic recovery began in 2009, my thesis has been that the U.S. will have your typical post financial crisis recovery, seen many times previous after the Great Depression part I, South America, Latin America and Japan. Growth teases and tantalizes on the upsides, yet ever fully reaches escape velocity where GDP feeds on itself. Historically, it takes two full recessions to return the economy to its previous "normal" state. After six years, that's where our economy remains.

After another brutal winter in the eastern half of the country first quarter GDP growth was borderline recessionary, just like we saw in 2011. We have now seen the "seasonally adjusted GDP" show some odd negative seasonal tendencies in Q1 that are not being adequately adjusted since the recovery began. Since I remain sanguine on the economy and bullish on the stock market, that leads me to believe that our economy will bounce back strongly in Q2 and Q3, just as it's done over the past few years.

Getting back to Friday's jobs report, non-farm payrolls grew by 223,000, equaling expectations while the unemployment rate came in at 5.4%, the lowest since May 2008. The U6 unemployment rate, which measures the unemployed and underemployed came down to 10.4% from 11% in March. Keenly watched hourly earnings only increased by 0.1%, keeping any wage inflation concerns solidly under wraps.

The best description I can give of this report is Goldilocks, not too hot and not too cold although some in the perma-bear (continually wrong) camp are hanging their hats on the older ages of those filling new jobs rather than how well dispersed the new jobs were across sectors. Stocks soared and bonds bounced back. Anyone left hanging on to a June interest rate hike by the Fed has to be convinced that is has barely a puncher's chance of occurring and that while September may be on the table, it's looking less than 50-50. The jobs market is solid and stable, but far from overheating. I think the Fed needs to see a very good Q2 GDP print in a few months coupled with at least two or three straight employment reports showing a minimum of 250,000 new jobs created.
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Investing Landscape Changes with Employment Report

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The question now for portfolio managers like myself is, "does one good employment report turn the tide?"

Since I already mentioned that I all but dismissed the poor Q1 GDP number and I am not giving much weight to the weak March employment, I do believe that Friday's report is the start of the next upward swing in our frustrating but positive post financial crisis recovery. With that, the intermediate-term outlook for stocks has brightened for many although unchanged from my already bullish vantage point. The three or six month trading range in the S&P 500, depending how you view it, should be resolved to the upside, whether that's convincingly this quarter or next. Sometimes, in order to end a trading range, markets move violently from one side to the other, often breaching key levels and forcing traders to take action, only to immediately reverse course in a sustained move in the other direction.

Regardless of how the current trading range resolves itself, I anticipate sector leadership coming from some familiar names as well as two fallen angels. Semiconductors, long a canary in the coal mine for the tech sector, are poised to resume their rally. Consumer discretionary, left for dead countless times during the bull's six plus year reign, continues to confound the bears and lead.

One of my top sector picks for 2015, home builders, are getting ready for another run higher, even in the face of potentially higher rates. On the surprise side, the transports, leaders from previous years appear to be ending their six month plus period of digestion and poised for another assault on all-time highs. Finally, the banks and diversified financials, with several nails in their coffin, are at last finding fertile ground for leadership status after five years of being pulled along. This fallen angel could really shock and surprise the masses and give this old and wrinkly bull market new life later this year as net interest margins significantly increase.

Not surprisingly, defensive sectors like REITs, consumer staples and utilities (another sector pick for 2015) should continue to struggle and potentially be dragged up by the market, best case, rather than lead it higher.

In the very short-term, I do have some concern from the usual post employment day hangover effect on stocks. Data miners can provide a stream of historical examples, but in plain English, when the stock market opens much higher and closes well with volatility falling sharply, the next few days to a week are often, 75% of the time, challenging and down.

Overall, Friday's employment report, while just meeting expectations, essentially threaded the needle and reaffirms my view that the economy remains in a typical, uneven, post financial crisis recovery. The aging bull market is far from over and Dow 20,000 is the next target.
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Three Basic Steps to Become Rich(er)

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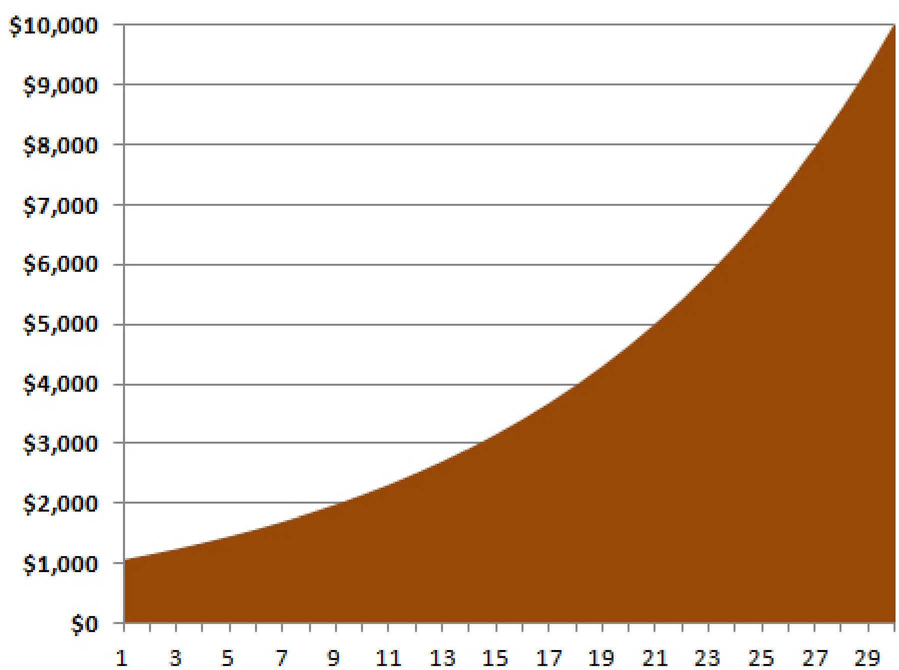
Money can't buy you love and it will never solve all your problems, but it can provide you with the funds to send the kids to college, to take on your personal goals, to retire, to meet unexpected expenses and to reduce the impact of disasters. Regardless of your profession, how much you make, or your lifestyle, becoming rich, or richer, really comes down to just three key actions.

(1) Spend less than you make

It sounds simple. But far too few people take it to heart. To accumulate wealth, you have to have the funds to invest and that requires setting aside part of your income every paycheck, every month, and every year. If you are spending every penny you make, unless you are exceptionally lucky, wealth will elude you. Even small savings have the potential to grow to substantial nest eggs.

(2) Start saving early

The sooner you start setting money aside and investing it, the more time you give the miracle of compounding to go to work for you. Albert Einstein once called compounding the "eighth wonder of the world. He who understands it, earns it ... he who doesn't ... pays it."Compounding refers to generating earnings from previous earnings. Suppose an investment earns 8% annually, and you reinvest those earnings each year. Each year, you earn 8% on your original investment and the earnings you reinvested. At first your account grows relatively slowly, but over time it picks up speed until the rate of growth can look like this: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Disclaimer: This is a hypothetical example. There can be no guarantee that an investment will earn 8% annually for the period shown. All investments have the potential for loss as well as gain.

(3) Invest, but manage your risks

To put your money to work for you, it needs to be invested. But there are very, very few things that you can afford to invest in and walk away, coming back years later to see if your savings have grown. The only way you will know what those investments are is hindsight.

Among the risks your savings face are:

- Inflation risk - There is always the risk that rising inflation will erode the value of your savings and they will only buy a fraction of their current value in the future. Most investment plans assume a 3% annual rate of inflation, but there have been periods in the past when inflation was much higher.

- Market risk - A sector, national or worldwide market decline could adversely impact the value of your investments. Bear markets, for example, have occurred on average once every five years and erased an average 30% of the market's value.

- Default, or individual investment risk - This is the risk that a company or government entity underlying the investment runs into financial trouble and is unable to repay debts or declares bankruptcy.

- Mortality risk - Die too soon or live too long and you may miss the benefits of your investment or outlive your savings.

As the value of your savings increase, professional management makes more sense, and ideally should more than pay for itself in terms of a better long-term outcome. Which is where we come in. Our job is to help our clients grow and defend their wealth. We welcome the opportunity to review your financial progress with you and to assist others. Call or email today and let's schedule a meeting to review your account.

Upcoming Appearances

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Fox Business' Making Money with Charles Payne - May 12th 6:00 - 7:00 PM

Fox Business' Making Money with Charles Payne - May 21st 6:00 - 7:00 PM

You can view most of the past segments by clicking below.

Media Appearances
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(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

"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
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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

"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

"A little bit at a time adds up to a lot in no time"

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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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.

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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.

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