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Inside this issue

Lovin' Summer

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I keep saying and thinking that it's been an incredibly busy summer, yet I don't feel like I am working hard enough. I am definitely not getting enough projects on my "to do" list checked off. That will change sooner than later. A few weeks ago, I was on Fox Business' Making Money with Charles Payne and there was a really good segment on the individual investor. **http://www.investfortomorrow.com/InMediaVideoFBN.asp?idfb=31**

I also did an interesting interview with CNBC India and I am standing by my no September rate hike by the Fed. **http://www.moneycontrol.com/news/international-markets/i-dont-think-fed-will-raise-rates-at-all-this-year_2227101.html**

Hillary Clinton unveiled her attempt to raise capital gains taxes. I believe I have a better chance of being 6 feet tall than she does of getting this passed. Here is my take. **http://www.investmentnews.com/article/20150730/BLOG12/150739989/hillary-clintons-short-sighted-tax-on-long-term-capital-gains-leaves**

Finally, I was asked to play the negative side of investing in Africa by CNBC and here is the story. **http://www.cnbc.com/2015/07/27/is-the-time-right-to-make-a-play-in-africa.html**

Contrary to before I had kids, I do love summer now. I love grilling and sitting outside and of course, bonfires. A few weeks ago, we celebrated our oldest son coming home from camp by
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having a bunch of families with similarly aged kids over. Just like almost everything else I do, my grill is very neat and organized!

It was great to see the kids hanging by the fire making s'mores.

At the end of the evening, we had some pooped people.

As I mention from time to time, in between Street$marts issues I am often very active on **www.Investfortomorrowblog.com**.

If you would like to be notified when a new posting has been made, please see this link. **http://www.investfortomorrow.com/BlogAlerts.asp**

U.S. Recession Part I - The Consumer

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There has been renewed chatter lately about the U.S. economy being on the verge of recession. It's not as loud as we (wrongly) heard in 2011, but it's definitely growing. I vividly remember the Economic Cycle Research Institute doing interviews on CNBC, Fox Business, Bloomberg and just about every major financial website, pounding the table that there was almost 100% chance of recession in 2011 and their indicators were "never" wrong. "Never" is one of those words I don't typically use when it comes to the markets, economy or politics. How many times did we heard that word as 2008 approached and then during the year?

For the past six years, I have used the same description of our economy. That is, we are seeing the typical post financial crisis recovery. It's uneven. Sometimes it teases and tantalizes on the upside yet frustrates on the downside. It's anything but the "normal" recovery from recession which is usually very powerful. Deleveraging, a period of unwinding debt, usually takes 1/3 of the time it took to build up the debt. In this case, it took roughly 30 years to build so 10 years from 2008 puts us at 2018. That should also coincide with a mild recession just before or during.

Returning to normalcy after a financial crisis typically takes two recessions. We already survived a doozy from 2007 - 2009 and the mild recession I already mentioned should be coming this decade. I say "mild" because corporations are sitting on more than $3 trillion in cash and relatively low inventories. Of that, banks have more than $2 trillion in cash. It's really hard to have a serious economic collapse with banks in such good shape with capital and corporations flush.

Another conventional way to look for recession is to watch the activity of the consumer with their discretionary income. In good times and in bad, we all need to buy groceries, pharmaceuticals and other staples. That's why they are referred to as defensive. However, in good times, we spend more money on cruises, Disney, resorts, jewelry, clothing, furniture, cars, dining out, etc. For the most part, those are discretionary items.

Consumer discretionary is a major stock market sector and you can usually glean good information about the consumer. It's really difficult to believe that a recession is close at hand if this sector is at or close to new highs. In 2011, when recession calls were abound, I looked at the chart below and saw a new high for the consumer in June. When the stock market collapsed under the weight of Greece, threat of U.S. default and the S&P downgrade of our debt, the sector went down as expected.

One reason I did not see a recession coming was that it's very unlikely that the consumer stocks peak and then recession hits within the next few months. Usually, there is much more lead time, like 6+ months, for the consumer to weaken.
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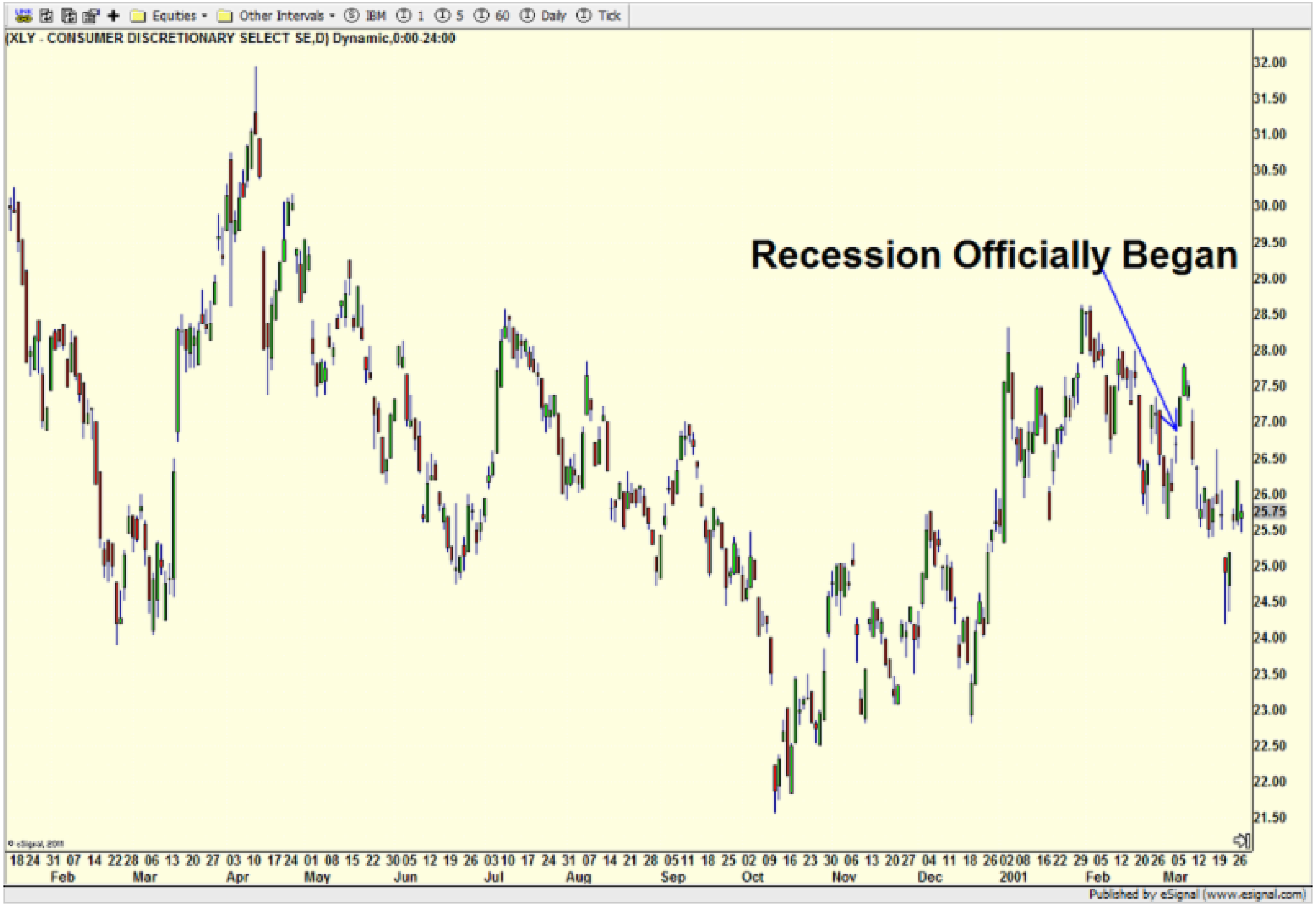
In 2001 as you can see below, the consumer sector saw its high a full year before recession hit. That recession, spurred on by the Dot Com bubble bursting and accelerated by 9-11 was brief and generally mild although the multi-year bear market in stocks was severe.



Below you can see the action before the Great Recession hit. The consumer sector peaked in the middle of 2007 and then weakened dramatically to year-end when the recession officially began. I remember living this in real time and I did not believe that recession was hitting late in 2007. I saw weakening, but my original thought was that the dramatic cut in interest rates would stave off recession at that point. I was wrong.

So where is the consumer today?

As you can see below, consumer discretionary saw an all-time high just a few short weeks ago. That makes it very difficult to believe that a recession in the U.S. is in the cards this year. I am not going to use the word "never", but after you read the next article, it's really hard to argue that case.

U.S. Recession Part II - Off the Beaten Path

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Continuing the theme of recession, two of my favorite off the beaten path economic indicators are below. The first is the Restaurant Performance Index, which essentially measures the health of the average consumer rather than the Wall Street executive spending $1000+ per couple at Masa or Per Se in New York City.

You can see on the left side of the chart that this index steadily weakened well before the crisis hit and was solidly below the 100 level which is viewed at neutral. Over the past few years, the index has risen and is a look way from falling below 100.
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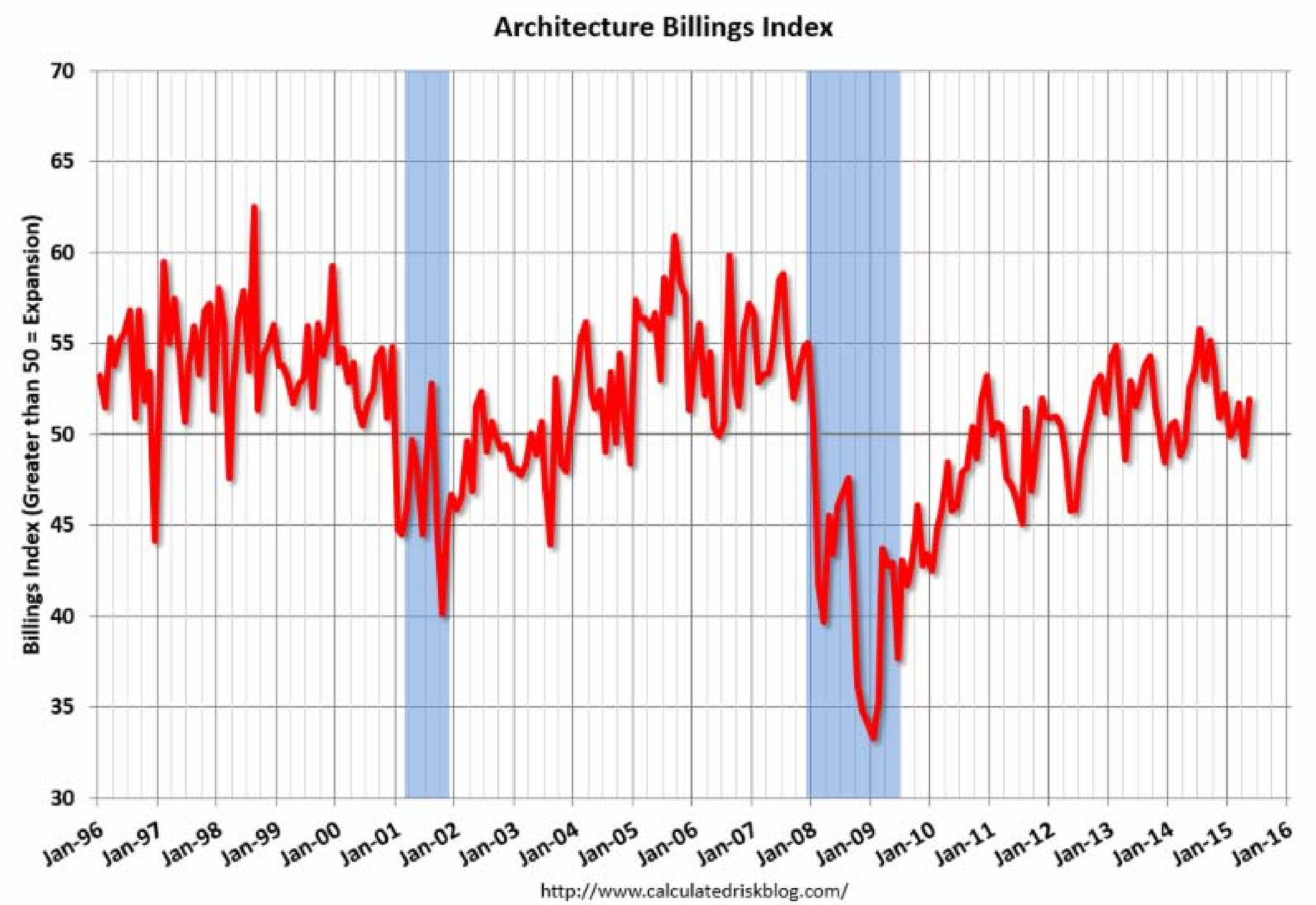
The next chart is the Architecture Billings Index which measures non-residential "work-on-the-boards" and usually a leading economic indicator by 11 months. 50 is the neutral level. Not surprising given the banks' general unwillingness to lend as in the past, this indicator has been oscillating around neutral but generally above for several years. Commercial real estate is still trying to recover from the bust and remains hampered.



Between the consumer discretionary sector, RPI and ABI, I absolutely do not believe the U.S. is on the verge of recession. Our economy strengthens and weakens periodically in the context of an ongoing recovery. This expansion may be aging, but it's not dead. Keep an eye on the indicators and not the pundits.

China Devalues - A Currency Primer Debunking Myths

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After a good close last Friday and strong stock market showing on Monday, the bulls hard a tough day on Tuesday as China surprised the markets by devaluing their currency, the renminbi or RMB, overnight in an effort to spur on exports. Japan has been trying to do this for several years by massive amounts of money printing. For most of the world, the free market sets the various exchange rates, but a few countries set their own exchange rates, which can be viewed, rightly so, as manipulation.

The average person traveling to Europe or Japan typically views those areas as costly and probably doesn't realize that exchange rates fluctuate 24/7. It seems like people always complain how expensive it is to travel to Europe and Japan, but there are varying degrees of expensiveness!

When I moved to London in January 1987, I remember it costing $1.38 for one British Pound, and that was expensive at the time, although it was $1.55 when I left six months later. In hindsight, the mid $1.30s has been the low for that currency for decades. On the flip side, in late 2007, the Pound was as high as $2.10. Today, it sits at $1.55, the same price as in June 1987.

Free market currencies typically oscillate over time; the longer your timeframe, the more you can see it. They are relative value vehicles. All currencies cannot be rising or falling together as they
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are paired against one another. I would also include gold as a currency today.

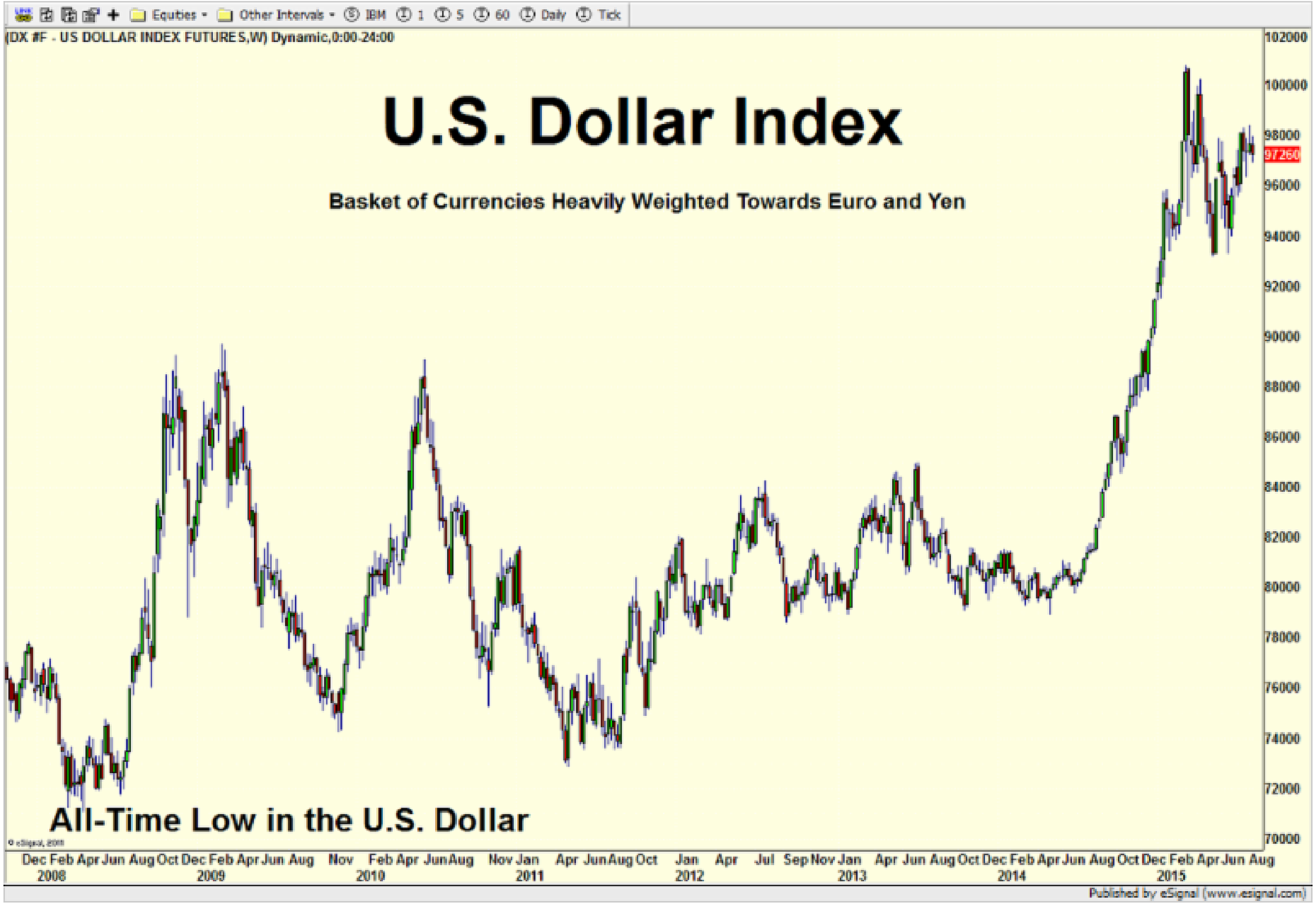
For the most part, economic activity, inflation and perceived future interest rates determine the value of one currency against another. Notice I did not include the money supply in that equation. Contrary to popular belief, more currency printed does not always lead to a devaluation of the currency by the free market. Sometimes it does, like Japan, while other times it doesn't, like the U.S.

Disagree?

Look no further back than our own Fed's money printing binges, QE I, QE II and QE Unlimited.

In the example above, the dollar hit its ALL-TIME LOW in March and April 2008. That was before QE was launched or even announced. By the time QE began in November 2008, the dollar had already rallied more than 20%, a hugely dramatic move for a currency.

By the time the Fed was done printing $4 TRILLION, contrary to popular belief, our currency did not disintegrate into worthless ashes. Rather, as you can see below, the dollar was still in rally mode and about to go parabolic over the past year.



It's certainly no secret to readers that I have been long-term bullish the greenback since early 2008. I have mentioned in every Fearless Forecast for at least six years. I do not believe the run is over. Action in the dollar has been constructive and the next leg higher should carry it well above 101 on the index and possibly to 110. Eventually, that will cause massive capital inflows into the U.S. as we saw in the mid 1980s, which should be bullish for large cap stocks. The long-term problem is that we could see some serious global imbalances with a market crisis to accompany that, but that would be a few years down the road.

Upcoming Appearances

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Yahoo Finance - Live Show - September 16th Noon

Fox Business' Making Money with Charles Payne - September 16th 6:00 - 7:00 PM

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

[Media Appearances](http://www.investfortomorrow.com/InMedia.asp)

(http://www.investfortomorrow.com/InMedia.asp)
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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

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