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Fed Meeting... AGAIN?!?!

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Six weeks ago, all we heard in the media was about the FOMC raising interest rates. Will they? Won't they? You couldn't escape the topic. It seemed like all of the strategists, analysts and pundits from the giant firms were all pushing the Fed to raise rates. I don't think it was just their opinion. I believe they were "selling their book" as they were positioned for a rate hike. Nothing unethical or nefarious about it, but I found it unusual at just how many large firms were all on the same (wrong) side. When Yellen & Co. did not raise interest rates, you wouldn't believe how many of these successful adults whined and complained. Kudos to the Fed for not succumbing to Wall Street's pressure!

With the FOMC currently in their two day meeting and the announcement scheduled for Wednesday at 2pm, there has been very little chatter about a rate hike this week. While China's market has stabilized and their central bank cut rates and the ECB's Draghi has also made very dovish comments, consensus calls for no rate hike now. Although I have vehemently disagreed with any interest rate hike until the other side of the next recession, I do realize that I am in the severe minority camp. I fully expect the narrative to move toward a December rate hike sooner than later, unfortunately.

The stock market model has prices trading plus or minus 0.50% until 2pm and then a rally. Normally, there would be a 77% chance of higher prices today, but with stocks up so much this month, I won't be surprised if the move is more muted after 2pm.

## Update on Post-Crash Scenarios

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Hopefully, you're not tired of my continued update on post-crash scenarios. They have been working out incredibly well so it's worth watching. When we left off last, I eliminated 1994, 1997 and 2010. I wasn't so keen on 1987 and 1989, but did not totally rule them out. Good thing because we have been seeing a combination of those two with 1998 and 2011. All in all, they aren't so different except for the earlier ones not breaching the intra-day crash low where the later ones did.

You can read previous articles

[http://www.investfortomorrow.com/newsletter/CurrentStreet\\$smarts20150902.pdf](http://www.investfortomorrow.com/newsletter/CurrentStreet$smarts20150902.pdf) and [http://www.investfortomorrow.com/newsletter/CurrentStreet\\$smarts20151005.pdf](http://www.investfortomorrow.com/newsletter/CurrentStreet$smarts20151005.pdf).

Looking ahead, I want to share again 1987, 1989, 1998 and 2011. Remember, market don't repeat history, but they have a great way of rhyming. In each case below, stocks saw varying degrees of crash, followed by an intervening rally before revisiting the lows from the crash several weeks later. If you scroll down, you can see how 2015 continues to line up very nicely with the others.

The most important takeaway from all this work is that stocks rallied back to all-time in each and every case.







2015 is below and I left the two scenarios I offered earlier this month with the blue line nailing the move. Based on just the post-crash research, this rally is far from over.

# 2015

## 16 Day Rally

### 26 Days Between Lows... So Far



## Yet Another Bullish Study

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After my research on post-crash behavior was complete, I turned to stock market performance. With both August and September closing lower, I wondered if there was any trend for Q4. Over the past 35 years, there were only 6 occurrences and all led to a positive Q4 by an average of +10.86%! You can view the study here. <http://investfortomorrowblog.com/archives/1936>

With the help of my friend and colleague Dana Lyons, I analyzed stock market returns since 1950 when the S&P 500 dropped at least 10% in 6 days, like we saw in August. The average results are below.

3 months later +5.6%  
68% of the time returns positive

6 months later +12.5%  
81% of the time returns positive

12 months later +21.4%  
81% of the time returns positive

24 months later +37.5%  
90% of the time returns positive

Three independent studies all conclude the same thing over the intermediate-term. The bull market and this rally are far from over and my longstanding target of at least 20,000 is achievable in 2016.

## 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

"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

## To Your Financial Success,



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