November 11, 2015

2:55 PM EST

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Halloween 2015

On Thursday (tomorrow), I head to New York where I will be live on Yahoo Finance at noon as well as on Fox Business' Making Money with Charles Payne once or twice between 6 and 7 PM. That show's format has changed since the days of being on set for the full hour of discussion with the other regulars. While I miss that, I am told that rating have been higher with the new news driven agenda. More importantly, when I am in the city, I get to visit a close friend who moved in for a month to be treated for cancer. His surgery was deemed a success, but the recovery is difficult. I am hoping he is allowed to enjoy some adult beverages!

It's been a crazy few months with work travel, coaching two of my kids' teams and officiating for my other kid. My daughter's softball team just concluded an undefeated fall schedule where she let up all of three hits in five games and struck out more than 2.5 batters per inning. My son's baseball team began the fall as the Bad News Bears, but ended up with a 9-2-1 record. Very proud dad!

We also had our annual pumpkin carving party which the older kids changed to a Halloween party because pumpkin carving was for "little kids". They turned our basement into a haunted house that really did scare the kids. There's Teri & me with Annie hiding her face from scary stuff.





I recently returned from three days in Dallas with my peers where I spoke at the NAAIM Outlook conference and did some heavy networking. I am always interested to hear how others in the industry view the markets, economy, Fed, compliance, etc. What seemed almost universal was that 2015 has been the most challenging year since 2011 to actively manage money. If the parallel with 2011 continues, I fully expect a strong year for active management in 2016.

After Dallas, I spent the weekend in New Jersey at the Armstrong Economics annual World Economic Conference. It was the first individual investor meeting I have been at as an attendee and I found the experience very "interesting". The content was good, but the side chats with attendees were eye opening. I couldn't believe how many people were using leveraged investments of mass destruction, but had absolutely no idea of their serious pitfalls. Rarely does that end well.

Finally, I came across the link below about truly unbelievable pictures worth sharing.

http://viralscape.com/unbelievable-photos/camel-thorn-trees-namibia/

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**

Fed Interest Rate Hike on Tap for December

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With stocks rallying sharply in October, China's stock market stable and a stronger than expected employment report last Friday, the runway is now clear for Janet Yellen & Co. to raise short-term interest rates by 1/4% when they meet next in December. I also believe that once they start the tightening cycle, they will raise rates 1/4% at every other meeting in 2016 with the Fed Funds rate hitting 1 3/8% by the end of 2016. Interestingly, there are four brand new FOMC voters next year without a track record of being a dove or hawk. Two are regional Fed presidents and two are proposed Fed governor nominees.

I didn't say I agreed with that plan, only that it now seems very likely. I remain in the camp, as I have since 2007, that says the Fed should stand pat until the economy gets to the other side of the next recession when I believe real inflation will begin. Right now, not only is inflation not a threat, but we are battling the opposite, deflation, around the globe. And as I said in 2008 when oil was
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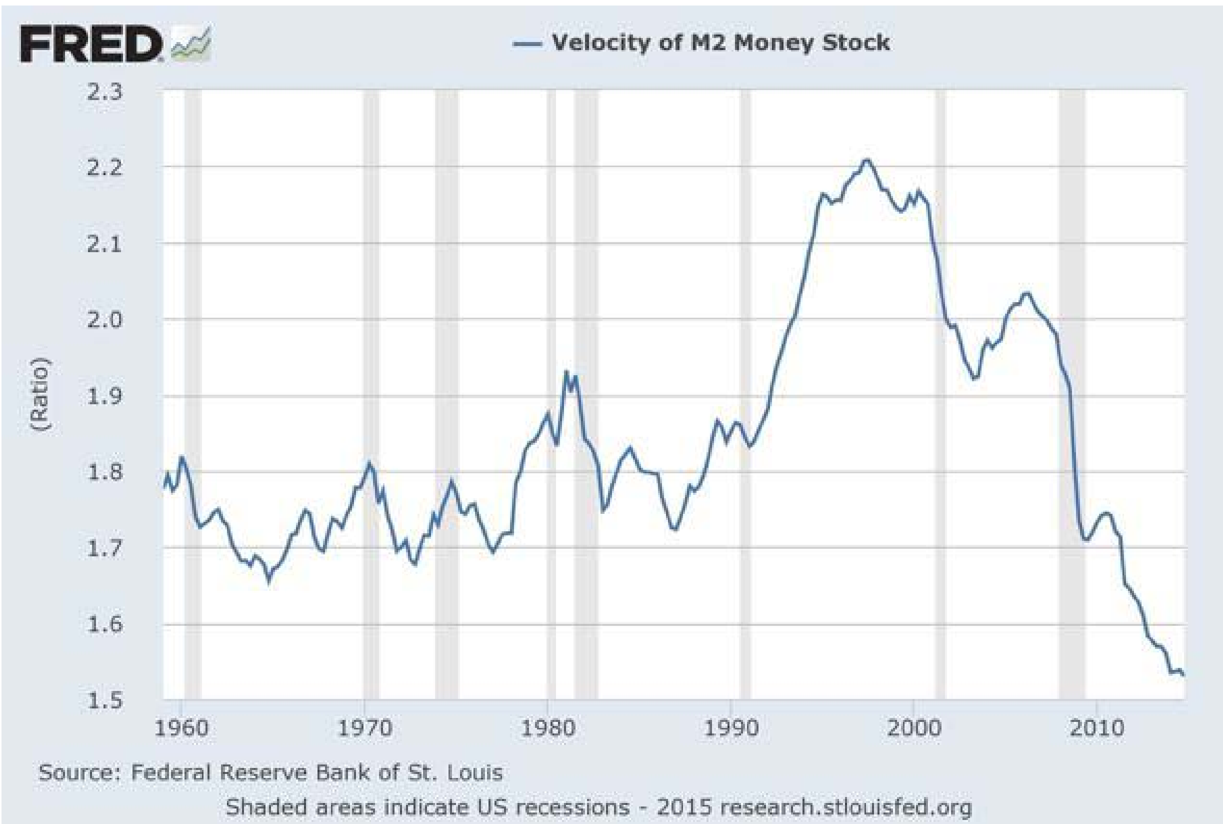
spiking, Ben Bernanke was right. Commodity inflation is transitory; it's not structural or systemic. High oil prices force consumers to find alternatives like driving less, using mass transit, buying a more energy economical vehicle or heating your home with oil substitutes like wood or pellets.

What I continue to not understand is why the hawks and large Wall Street firms are pushing so hard for a rate hike. Where's the fire? They talk about the need to "normalize" rates, but there is little evidence that says it must be now. All they espouse is that rates should go higher so the Fed can lower them when need be since the economy is no longer in crisis mode.

Really??? That's the argument?!?!

My counter is multi-fold. Average hourly wage growth, a primary driver of inflation, remains pinned in the 2% area for 7 years and needs to jump 100% to hit the Fed's target. Money velocity, which tells us how often a dollar is turned over during a given period of time has been in a steady downtrend since 1998 and stands at the lowest level since records were kept. See the chart below.



The real estate market is another reason not to raise rates. Although the hardest hit areas like Florida, Arizona, California and Nevada have recovered somewhat, they are nowhere near pre-crisis levels. With the exception of major metro areas like New York and San Francisco, real estate prices are stable at best and can ill afford higher mortgage rates.

I think you get the picture and I didn't even start the discussion about an already strong dollar and weak global economy, let alone deleveraging. I was just planning on writing a few comments about the employment number and its impact on rates and ended up with much more.

All Systems Still Say GO for Dow 20,000 in 2016

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Over the past two months I have posted several studies that all led to positive outcomes for the stock market over the intermediate-term. They are referenced below.

http://investfortomorrowblog.com/archives/1892

http://investfortomorrowblog.com/archives/1929

http://investfortomorrowblog.com/archives/1936

http://investfortomorrowblog.com/archives/1968

At the crash bottom in August as well as at the secondary low in early October, not only did I forecast all-time highs, but I also called for Dow 20,000 by August 2016. Nothing has changed in that regard. With the major indices rallying sharply in October, I am surprised that the commentary from the pundits as well as my readers continues to be on the negative side, just not as doom and gloom as it was.

For more than three years, I have said that this bull market may be old and wrinkly (and sometimes unhealthy), but not dead yet. Various canaries in the stock market coal mine have been on life support here and there, but haven't began dying to a worrisome level. High yield bonds, much to my disappointment, are rolling over again and that's the canary that should be watched the most right now. I had thought that this could be the rally to run right into 2016, but that scenario is not panning.

On the major stock market index side, the NASDAQ 100 has already made new highs for 2015. The Dow and S&P 500 are only a good week away. It's the S&P 400 and Russell 2000 where there is concern abound as the rally hasn't sufficiently broadened out. Given that we own both the S&P 400 and Russell 2000 among other positions, I do believe that these indices will play some catch into year-end.

On the sector front, I am very, very encouraged by the behavior of my four key sectors. On the anticipation of higher rates, banks have stepped up in a big way to lead, the first time in earnest since 2006. After collapsing by almost 30% earlier this year, semiconductors are also nice positioned to run hard into 2016. From now through mid-January, the semis are in their most bullish time of year.

The transports, down more than 20% mid year, have perked up and are positioned for further gains into 2016. Finally, consumer discretionary recently hit all-time highs. It's truly amazing how many people and how often the masses leave this group for dead. However, rumors of their demise have been greatly exaggerated!

On the other side of the bullish argument, the bears counter that participation in the rally has been pathetic. In that regard, they are correct, but that doesn't mean a bear market is here or near. In the late 1990s, it took an additional two years for the bear to growl. I do believe this bull market is in the later stages which is characterized by less stocks participating and high yield bonds lagging. However, we have also seen some dramatic gains from the stock and sector leaders.

Shorter-term, stocks are experiencing the much needed pullback or pause to refresh that I have referenced on **www.investfortomorrowblog.com.** It should be mild. Until proven otherwise, weakness should be bought.

As always, I am happy to answer your questions or address your comments and concerns. Feel free to hit REPLY or call the office to schedule a meeting.
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Bye Bye Bernie

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I have been watching the various presidential debates and haven't missed one for the most part. I find them to be semi-informative and on the entertaining side although last night's was a bit tortuous in my opinion (more on that later). The democrats have only had one, but I can't get Bernie Sanders' voice out of my head when I watch Seinfeld reruns. He sounds exactly like the actor who plays Yankees' owner George Steinbrenner.

Anyway, when I saw the senator on the cover of Time in late September in a positive light, I thought it was the kiss of death for his candidacy, a view I still share today. At that time, he was riding high in the polls and neck and neck with Hillary Clinton. He was the flavor of the moment, which is why Time gave him such publicity.

The problem with the Time cover is that it usually means the end of the trend is close at hand. It takes so much public awareness for a person or event to be cover worthy that by the time it hits, it usually about over. While Sanders socialistic agenda and $16 trillion government program expansion may sit well with the populists and disenchanted, the markets never gave him any credibility nor chance to beat Hillary, let alone win the general election.
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Upcoming Appearances

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Yahoo Finance - Live Show - November 12th Noon

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

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

"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

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

To Your Financial Success,

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