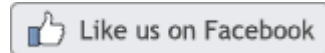




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Schatz Family Takes DC

It has definitely been a crazy busy few months to start the year and when I joined Fox61's Good Day CT earlier this week to offer some last minute tax tips (http://www.investfortomorrow.com/2017media_FX61.asp), I realized that the first quarter flew by and spring is really here. If you haven't sent your 2016 IRA and HSA contributions, tick tock, tick tock. Don't wait until the last minute!

As I scrolled through my pictures for a few to include, I also realized that my family was as active and busy as ever. I know. I know. Everyone keeps telling me how fast it all flies by and before I know it, they will be out of the house. I hope not! I love having my kids around although I wonder if they always love having me around. My wife will attest that my idea of a perfect evening is having everyone home, no homework, good wine, great home cooked meal and a movie. That's a far cry from the old days of hiring a babysitter and heading out for dinner with friends.

Anyway, the family did our first trip to DC and we planned to visit all of the major landmarks. Everyone was really excited. But a funny thing happened on the way to a successful trip. My kids got bored really quickly at the museums. They liked the flight down. They loved the various restaurants. They went crazy at the hotel pool. The crummy, little, indoor hotel pool! Go figure.



I couldn't get enough of the Capitol. It took me 50 years to get there and I did not want to leave. I was hoping to visit with Speaker Paul Ryan, but I guess he was a little too busy at that moment. Maybe another time.

Not only did my kids love the restaurants, but so did Teri and I. We ate incredibly well and had so much fun. Below is a bowl of homemade, right off the stove, gooey, yummy, maple kettle corn which was served as an appetizer at Farmers, Fishers and Bakers (<http://www.farmersfishersbakers.com>). This is not a fancy, gourmet restaurant, but it is now one of my all-time favorites on earth with a bevy of homemade sodas and drinks for the kids as well as the most unique and delicious cocktails. The food was incredible! To make the evening even better, just outside the restaurant, there was an ice skating rink and we had a blast with that.



If you ever visit DC, I highly recommend these restaurants as more than just a meal.

The Hamilton - huge old restaurant with a menu the size of Texas

Founding Farmers - Unreal beignets, bloody Marys and brunch

Old Ebbitt Grill - A DC institution

Pinstripes - bowling, bocce and upscale comfort food

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

Index Canaries Breathing Nicely

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It has a been long while since I last updated the Canaries in the Coal Mine, a semi-regular piece which has a very long-term focus on the health of the bull market. The analysis is only relevant at or near new bull market highs as I look for divergences in the major stock market indices, sectors and two other indicators. While helpful, it does not insulate bull markets from corrections; it just says that the final high hasn't been made yet.

Let's begin with the five major stock market indices. We are looking for warning signs that new highs are not being made by the majority. It is okay that they all don't have the same behavioral pattern, but we want to see them march in the same direction.

The Dow is first and you can see the last all-time high was made in early March of 2017.



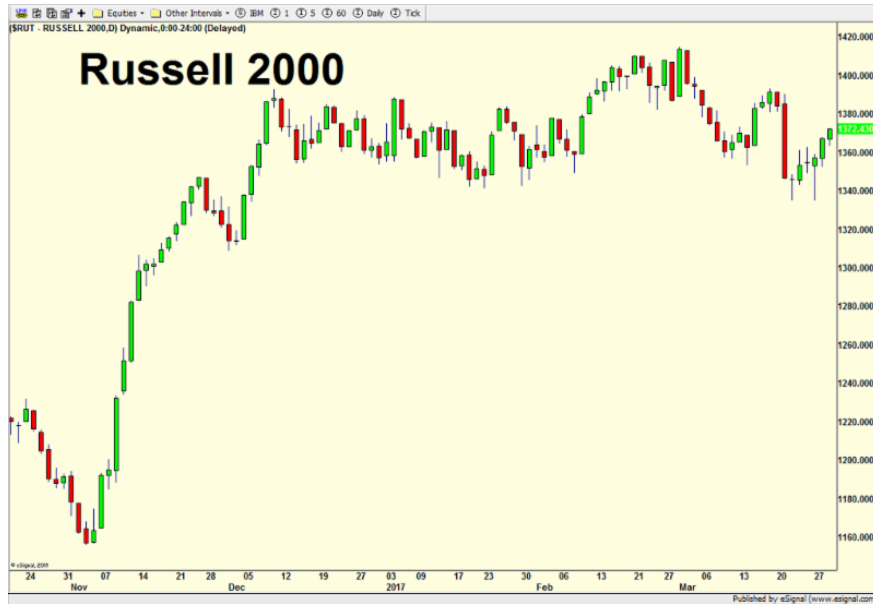
The S&P 500 (large cap) is next and it pretty much mirrors the Dow with its last high in March.



The S&P 400 (mid cap) is below and just like the previous two indices, the early March peak was seen.



The Russell 2000 (small Cap) is below and while it looks a bit weaker than the first few indices, its last high was in line, early March.



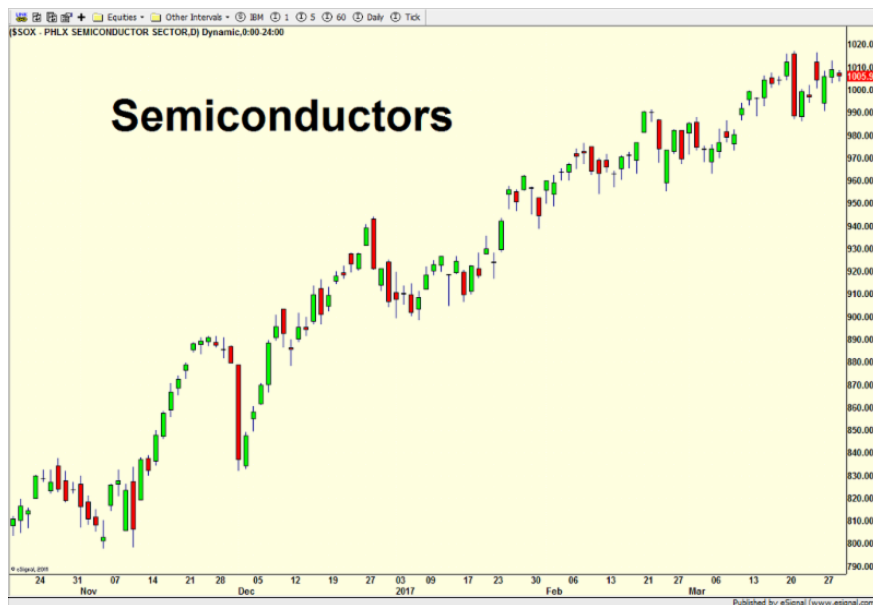
Finally, the NASDAQ 100 (tech) shows a much stronger pattern, having just made its all-time high. That's not a warning sign as we have the lone outlier being stronger than the rest, not weaker.



The canaries are definitely all alive and healthy in the major stock market indices.

## Sector Canaries Healthy with Some Small Wounds

Turning to the four key sectors I follow, we don't have as strong a picture as the major indices, but they are still okay. Semis are first and they have been the strongest for some time, almost too strong, but that's a topic for a different piece. While they have yet to eclipse their Dotcom bubble high from 2000, they continue to make new highs for this bull market.



Banks are next and after a dizzying pace following the election and prospects for reduced financial regulation, they leveled off and are now under pressure from the potential for less rate hikes. Banks should do better in a tightening cycle as rates move farther and farther from zero where their net interest margins improve dramatically. Their early March peak is in line with where it should be, worst case and this is not flashing warning signs just yet.





Consumer Discretionary is next and it looks somewhat similar to the semis with a series of new (and healthy) highs.



Finally, the Dow Transports are below. They peaked with the majority of the stock market in early March, but have since shown the most weakness of the four key sectors. This is the one I would most keep an eye on for future warning signs.



All in all, the sector canaries remain alive but a tiny bit wounded.

## Two Favorite Canaries Looking Fine

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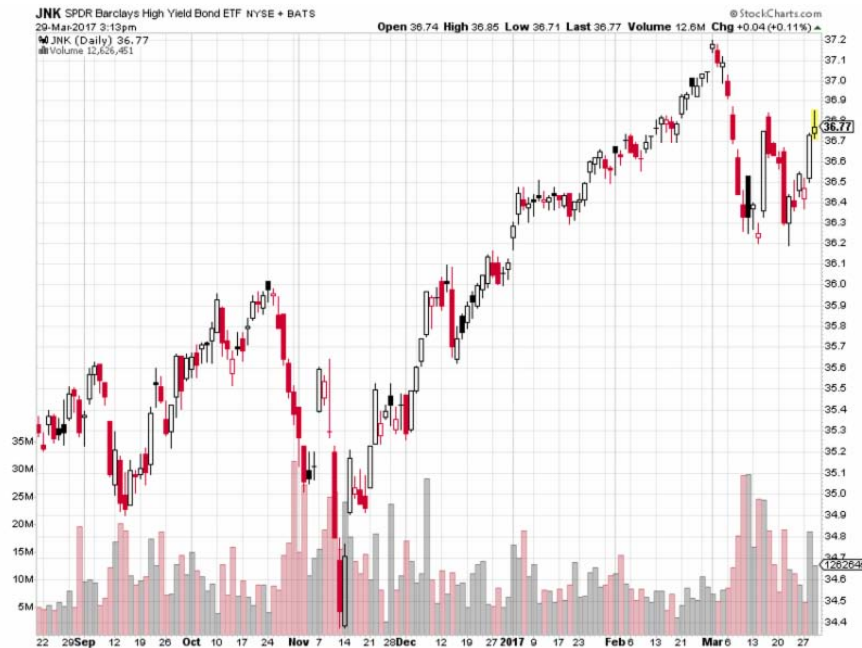
The final two canaries are probably my favorites because I believe they are the most powerful and predictive. In every bull market of the modern investing era, both of these canaries gave 3 to 21 months notice that trouble was brewing. However, that doesn't mean that every time these canaries warn, bear markets occur. It just means that they haven't missed any.

The first chart is that of New York Stock Exchange's Advance/Decline Line which simply measures participation in the stock market on a cumulative basis. What we want to see is this indicator making new highs along with the major stock market indices. When it stops making new highs and the indices continue to do so, that's a warning sign. As you can see, the NYSE A/D Line last peaked in early March with the stock market.



A proxy for the high yield bond market is below and I use it the same way as I do the NYSE A/D Line. It gives the same kind of red flags. Right now, we see that its last high coincided with the rest of the stock market.





These last two canaries, while off their early March highs, are not flashing any warnings signs that the bull market is ending anytime soon.

## Safeguarding Your Credit & Money

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It seems like there is a new announcement every other day from a retailer, bank, employer or data company saying their databases have been hacked and consumer information may have been stolen. There may be no way to know whether or not your information was among the lost data, but there are some steps you can take to protect yourself.

(1) Check your monthly statements!

Don't just throw them in a drawer or set them aside. Review your credit card, bank, and investment statements as soon as they come in and look for any transactions you do not recognize. Check bill amounts to make certain the amounts are reasonable. Small transactions matter. "Pinging" an account for a few cents is one way hackers verify that the account is active.

(2) If you believe the security of an account has been compromised, close it and open a new account.

There is no reason to leave your funds or credit rating at risk if you suspect your account has been hacked.

(3) Set electronic alerts.

Go into your account settings at your credit card company, bank, investment firm, etc. and set email, text or phone alerts that let you know if any unusual transactions take place, such as large charge amounts you don't recognize, or withdrawals. Make certain you receive notification of any changes in your account, such as changes in address and contact information.

(4) Reduce your credit limits or available balances.

If you are unlikely to need to make \$50,000 in purchases on your credit card, request that your credit limit be reduced. Don't have excessive funds in debit card accounts. Make it more difficult for a thief to take advantage of your good credit standing or available cash.

(5) Change your PINs and passwords on a regular basis.

There are good guidelines available on what makes a better password. Reference those guidelines when you set PINs and passwords. And make certain written records of your account access codes are protected.

(6) Use a fraud monitoring service if free.

Often companies will offer one-year of free credit monitoring following the loss of data. If you opt to take advantage of the offer, make certain it comes from the company and is not fraudulent (adding insult to injury). Remember, the monitoring companies often offer these one-year deals at no cost to the companies that lost your data, anticipating that you will renew for years to come.

The caution is that you cannot entrust your security to others. In today's world, you have to take an active role in safeguarding yourself and your information.

Investment Quotes/Adages To Live By

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"In God we trust, all others bring data."  
- The Elements of Statistical Learning

"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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