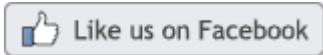




August 14, 2017

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A New Golfer is Born

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With the year more than half over, I did some local TV segments on a mid-year financial check up. Most are common sense and good financial practice, like pulling your credit report and managing credit card debt. You can click on the links below and see for yourself.

<http://wtnh.com/2017/07/25/mid-year-financial-check-in/>

<http://wtnh.com/2017/08/08/stretch-your-dollar-mid-year-financial-check-up/>

[https://www.youtube.com/watch?v=jt-7aetm\\_EY&feature=youtu.be](https://www.youtube.com/watch?v=jt-7aetm_EY&feature=youtu.be)

Earlier this summer, my parents invited my 9 year old and me to play in a parent-child golf tournament. Three generations on the course for a 9 hole scramble where players all hit shots and then continually move to the best shot until the ball is holed. My son always likes to hit balls with me on the driving range, but wasn't that interested in playing in a "real" tournament. I think he was just nervous.

After a routine par on the first hole, we came to a short par 3 over water. For my son, the hole measured 105 yards and we were all so convinced that he would hit his ball into the water that

we traded his new golf ball for an old one. After giving him his driver and lining him up, D took a big swing and we all watched in amazement as the ball began to rise higher and higher above the water. Eventually, it landed on the green and came to rest some 40 feet from the hole.

I wish I could have taken a picture of the look on my face, my parents' and especially D's face. It had to have been priceless! To add icing on the cake, that shot won D a prize for "closest to the pin" for kids 15 and under. On our final hole, D ripped a drive right down the middle to the 100 yard marker where the team was able to make a birdie and earn a second place finish. A great day for the family and I am hoping that I have a new golf partner for many years to come!



Finally, as the dog days of summer are here and the family just began the discussion of who is going to ski and when, below is a reminder that winter will be here before long. I know. I know. Most of you are cursing me right about now! I shouldn't even mention the "w" word until fall gets here. Sorry about that...



Don't forget to check our blog for intra-issue updates. While I haven't been as regular with these issues as usual, I have been very active on the blog and you can sign up to be notified whenever there is a new post made.

<http://www.investfortomorrow.com/BlogAlerts.asp>

[www.Investfortomorrowblog.com](http://www.Investfortomorrowblog.com)

## Those Four Dirty Words

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Stocks are set to open sharply higher today (Monday) as tensions with North Korea have quieted down over the weekend. An up 1% day is likely the outcome, but I do not believe all is well just yet.

While North Korea is now front and center in the mainstream news as well as the financial news and the financial markets are now fixated on North Korea, the stock market was already positioned to retreat for the past few weeks. It was just looking for a catalyst. I started writing about the likelihood of a pullback beginning in late July as you can read about below.

<http://investfortomorrowblog.com/archives/2915>

<http://investfortomorrowblog.com/archives/2921>

<http://investfortomorrowblog.com/archives/2926>

<http://investfortomorrowblog.com/archives/2935>

As you know, I have been resoundingly bullish all year and targeted Dow 23,000 by Q4 which I pushed back to Q1 2018. This is not the case of a bear who has been wrong just getting louder. It's the most negative I have been all year although as you will read, I am still not calling for anything dramatic on the downside.

Historically, I have pretty much dismissed saber rattling as a one or two day market event where the markets quickly resume their prior trends. That's been especially true of North Korea as it seemed like they just wanted world attention. The exception was Iraq in 2003 as it became clear it was only a matter of time before the bombs started flying.

Having been in the business for 29 years this month, I have learned enough to fill an entire Encyclopedia Britannica series and still learn every day. In the late 1990s, I learned a valuable lesson about using 4 very dirty little words. "This time is different." It rarely is. Regardless of the technology or societal advances, human behavior just doesn't change. Markets oscillate between fear and greed. Regarding North Korea, I do not have the same feeling as I have had in the past. I know. I know. Feel is not real.

Russia and China both voted with the U.S. and the rest of the UN's security council on the sanctions. That may not seem important, but remember, Russia occupied North Korea after the war and China was an ally during the war. Until the Soviet Union fell, Russia was North Korea's protective big brother. In recent times, China has been North Korea's quiet trading partner. Having both of them vote against North Korea, this is a huge sea change.

Additionally, I have heard through my channels that both Russia and China have amassed and continue to build through troop strength along their borders with North Korea. This is not normal activity and leads me to believe that Russia and China no longer think that Kim is just playing childish games. The two countries are preparing for something militarily. Whether that's defensive or offensive remains to be seen. I do think that any unprovoked military action by Kim will be responded to very harshly by the U.S., Russia and China. If I lived in South Korea, I would be very worried right now.



I also think that whatever is going to happen with this current incident, it's happening right now, meaning we are in it already. It could have ended this weekend with some kind of back door deal or it could escalate over the coming days and weeks. It will be interesting to see how President Trump handles all this. Is he combating a bully by pushing back or is he serious about action? Bluffing? Looking to make a deal? I have always thought of Trump as someone who beat his chest to scare and intimidate, but back down when push came to shove. We will see...

## Short-Term Concerns But Dow 23,000 On Tap

Back to the markets, before North Korea was on the markets' radar screen, I discussed a number of short-term concerns. Before I get into them, my intermediate and long-term views remain absolutely the same. The bull market is alive and reasonably healthy for being 8+ years old. My next upside target is 23,000 by Q1 2018.

With that out of the way, my short-term worries lead me to conclude that a normal 3-5% pullback is underway. Of course, stocks could overshoot, but I do not believe the stock market is in the early stages or approaching a 10%+ correction. The downside risk looks to be over the next month or so.

One of the many reasons I started looking for a pullback can be seen in the charts below. Just take a cursory glance and you will see that the Dow Industrials are leading the parade with the S&P 500 just behind. The S&P 400 and Russell 2000 are lagging significantly. The NASDAQ 100 is just a tad better.

Leadership by the Dow does not equate to healthy and strong leadership. It's exact opposite. Investors are looking to hide in the "safer" and more liquid areas. If this was one of my regular Canaries in the Coal Mine update, I would offer that none have died or are close to dying, but a few are coughing.



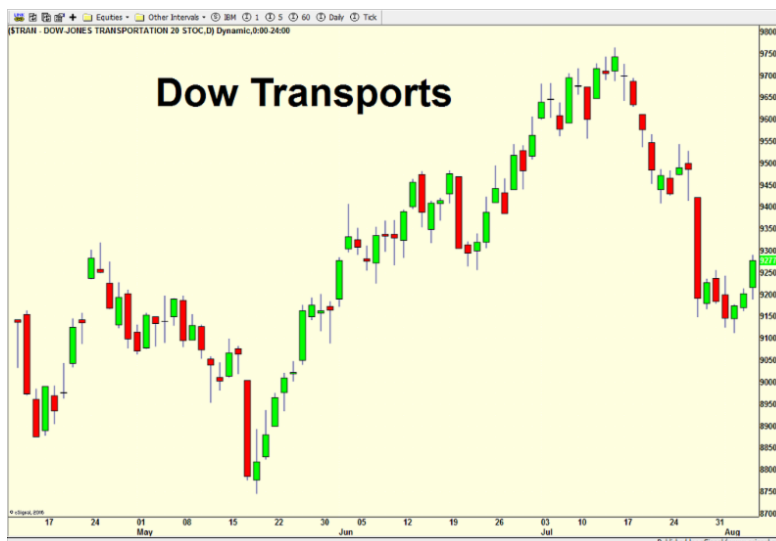


Stock market sentiment began to get a little too happy, complacent, greedy or whatever other adjective you want to use. We saw it in the surveys, the options data as well as the Rydex fund flows. While sentiment ebbs and flows at a good pace, weakness is likely needed to restore at least a small wall of worry.

The semiconductors are one of my favorite sector canaries and concern over the past few weeks has been that with the NASDAQ 100, software and internet sectors all scoring fresh new highs, the semis have been unable to. If they started to rollover, they would likely bring down the rest of the tech sector with them.



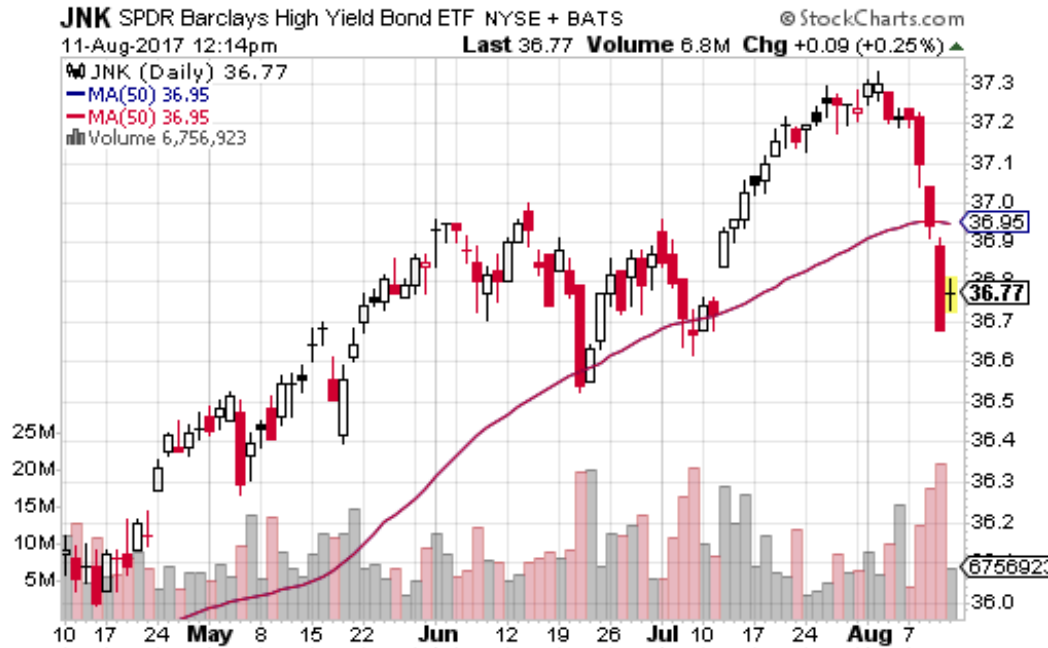
The Dow Transports are another sector which had been under pressure long before North Korea became a recent issue. You can see below its decline was more than just a few day event and warrants attention.



Until earlier this week, I was holding out hope for the bulls by the continued strength in the high yield bond sector, my favorite canary in the coal mine. However, the past three days have



seen relentless selling in this sector. Something has changed in the character of the market.



I could add to my list of short-term concerns including the infamous Hinderburg warning which really just says the market is very split with an equal number of stocks doing well as poorly. The number of stocks making new highs and new lows has shifted significantly to the negative over the past week adding credence to the Hinderburg.

HOWEVER (isn't there always), the New York Stock Exchange Advance/Decline Line, which measures market participation just hit an all-time high earlier this month. Historically, that pretty much insulates stocks from a serious decline or bear market as it shows good health and lots of liquidity.



Finally, the much talked about VIX which is a broken measure of anticipated volatility spiked by almost 50% this week and almost 100% from its recent low. That has been a strong indication of future gains several months out.



In short, the next few weeks to month or so could be rocky, but not cataclysmic. Besides North Korea, we have the single biggest geopolitical since 9/11 on September 24th with the German election. Stocks are wounded and need some time to heal, but more new highs are in store later this year and into 2018. If you are nimble enough, selling short-term strength is the right strategy until proven otherwise.

As hard as it may be, investors would be best served by not being glued to the news channels 24/7. Focus on the long-term. The economy's growth is accelerating. More jobs are being created. Record earnings. Heed my theme of 2017. Reality over rhetoric!

## Be Kind to Your Beneficiaries

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If you have insurance policies, retirement accounts or "pay-on-death" designated accounts, make certain your beneficiaries know the accounts and policies exist and where they are held. Otherwise, there is no guarantee that these assets will reach intended heirs after your death.

There is an estimated \$60 billion in "abandoned" assets held by states and an unknown amount still sitting in policies held by insurance companies. Under varying state laws, financial institutions and other companies are required to turn over any funds considered "abandoned," including uncashed paychecks, forgotten bank account balances, unclaimed refunds, insurance payouts and contents of safe deposit boxes. While these funds remain the property of the individuals who have failed to claim them, it doesn't do the individual much good if they never knew the account existed.

Insurance companies typically use the Social Security Administration's Death Master File to cancel annuity payments to clients who pass away, but up until 2012, there was sometimes little effort made to inform beneficiaries of the policy. A settlement among major insurers and several states has now imposed the burden on the insurance companies to make an attempt to inform beneficiaries, but often the companies lack adequate information to contact the individuals.

Life insurance proceeds and retirement accounts don't go through probate, so it won't be your executor's job to contact beneficiaries. Your beneficiaries will need to do the footwork themselves. Typically this requires sending in a form reporting the death. The company then sends the beneficiary more forms to fill out; he or she sends them back along with a copy of the death certificate. If the primary beneficiary dies before collecting, the secondary beneficiary has to send in the primary beneficiary's death certificate as well as original account holder's death certificate.

If you are inclined to change beneficiaries, it may be a bit awkward to inform anyone in advance of your intentions, in which case you need to make certain and leave adequate documentation for your beneficiaries to know of their inheritance. Otherwise, your assets could end up adding to the billions held in trust by your state.

## 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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