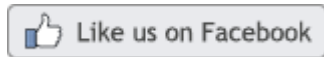




September 11, 2017

1:17 PM EST



Inside this issue

[Remembering 9-11](#)

[Growing Concern from the Banks](#)

[The Misconception About September's Ire](#)

[Combatting Financial Exploitation of Seniors](#)

[Investment Quotes To Live By](#)

Remembering 9-11

September 11th seems to sneak up on me each year. With summer vacation, kids going back to school, Labor Day and the start of the NFL season, it feels like I wake up and realize 9-11 is either the next day or very close by. We all remember where we were and what we did on September 11th, 2001. I was sitting in my office and saw the World Trade Center on TV with the media reporting that a plane had hit one of the towers. I kept thinking that didn't make sense. Where was the little plane? Who ever could have thought that it was a huge jet. I kept wondering why the camera didn't show the ground where this supposed plane would be in bits and pieces.

Teri & I were engaged at that point and we vividly remember exchanging AOL emails on what we thought was just a little "accident". The stock market index futures were selling off after the news broke. I thought, "what a great buying opportunity"! I mean, why would people sell stocks because a little Cessna plane had accidentally flown into one of the towers.

Then the second plane hit and people immediately had footage. I remember standing in my office in disbelief. Speechless. Shock. I had friends in the WTC.

As the day continued to unfold, people in my office park kept coming in to my office as we were the only ones with TV. I think everyone felt comforted to be surrounded by others. "I can't believe this"

became the refrain of the day. Over and over and over.

I later learned that I lost my childhood and high school friend, Chris Murphy, along with a college fraternity brother, Charlie Dolan, whom I did not know well. We all lost someone directly or indirectly. The stories began to pour out of those who were supposed to be in the WTC that morning or who turned around because something else happened. My good friend Alison got out of the taxi a little before 8:30am on that day for work in front of the towers. She realized she forgot important work at home and turned right around and headed back to her apartment. She was one of the lucky ones. Her boyfriend worked for Cantor Fitzgerald and he was tragically not.

In my travels over the years, I have met a number of people who got out. They talk about being covered in dust and debris, struggling to breathe and running for their lives. Few went back to work in New York City. All were profoundly changed forever.

One thing the terrorists miscalculated, the American spirit and resolve. This unspeakable attack brought the country together like hadn't been seen in many decades. No one was prepared to let evil win.

Never forget...



In remembrance of those who perished at the cowardly hands of murderers, we will be donating what amounts to today's firm profits to a fund for the benefit of those families directly impacted.

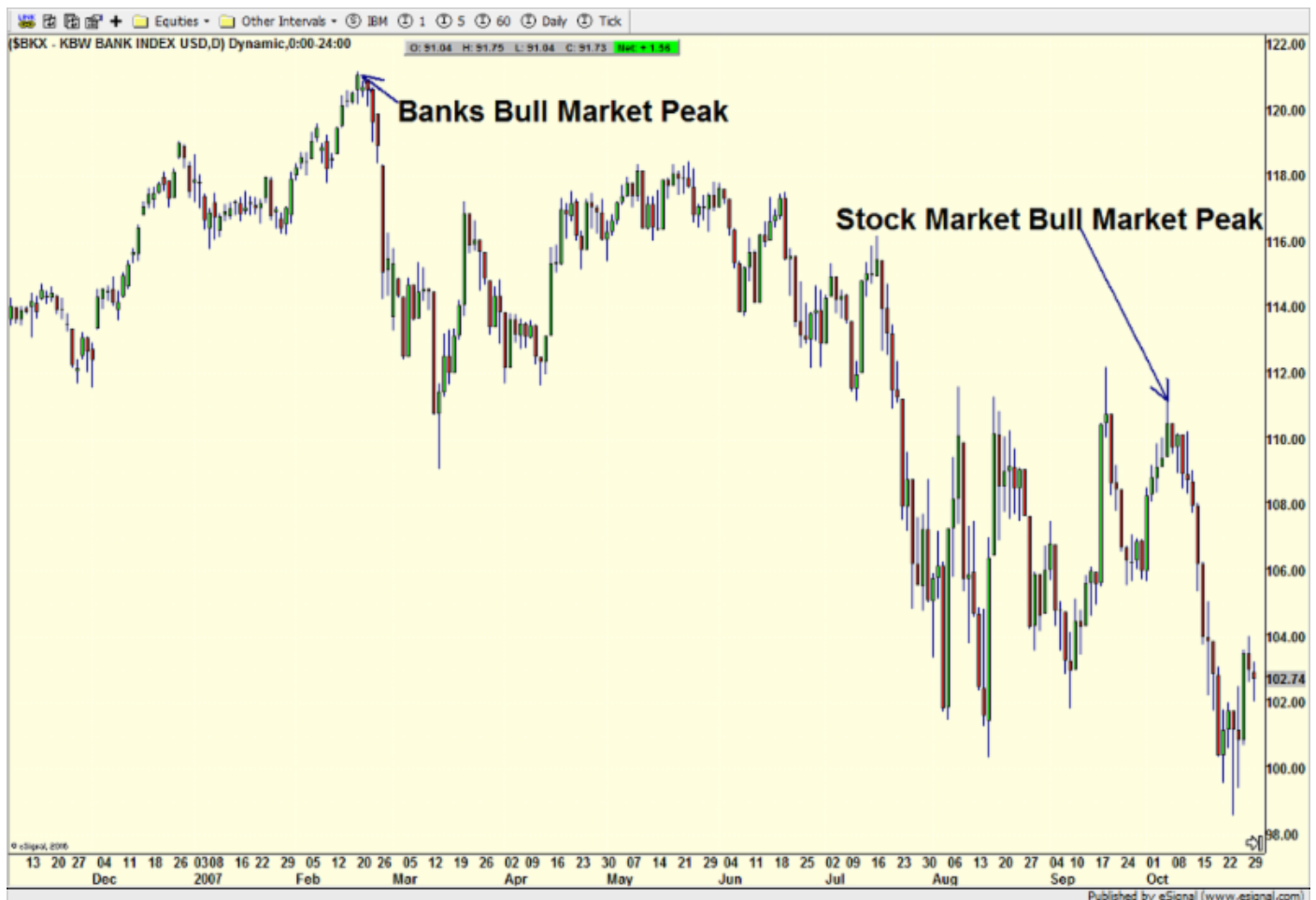
Growing Concern from the Banks

~~~~~

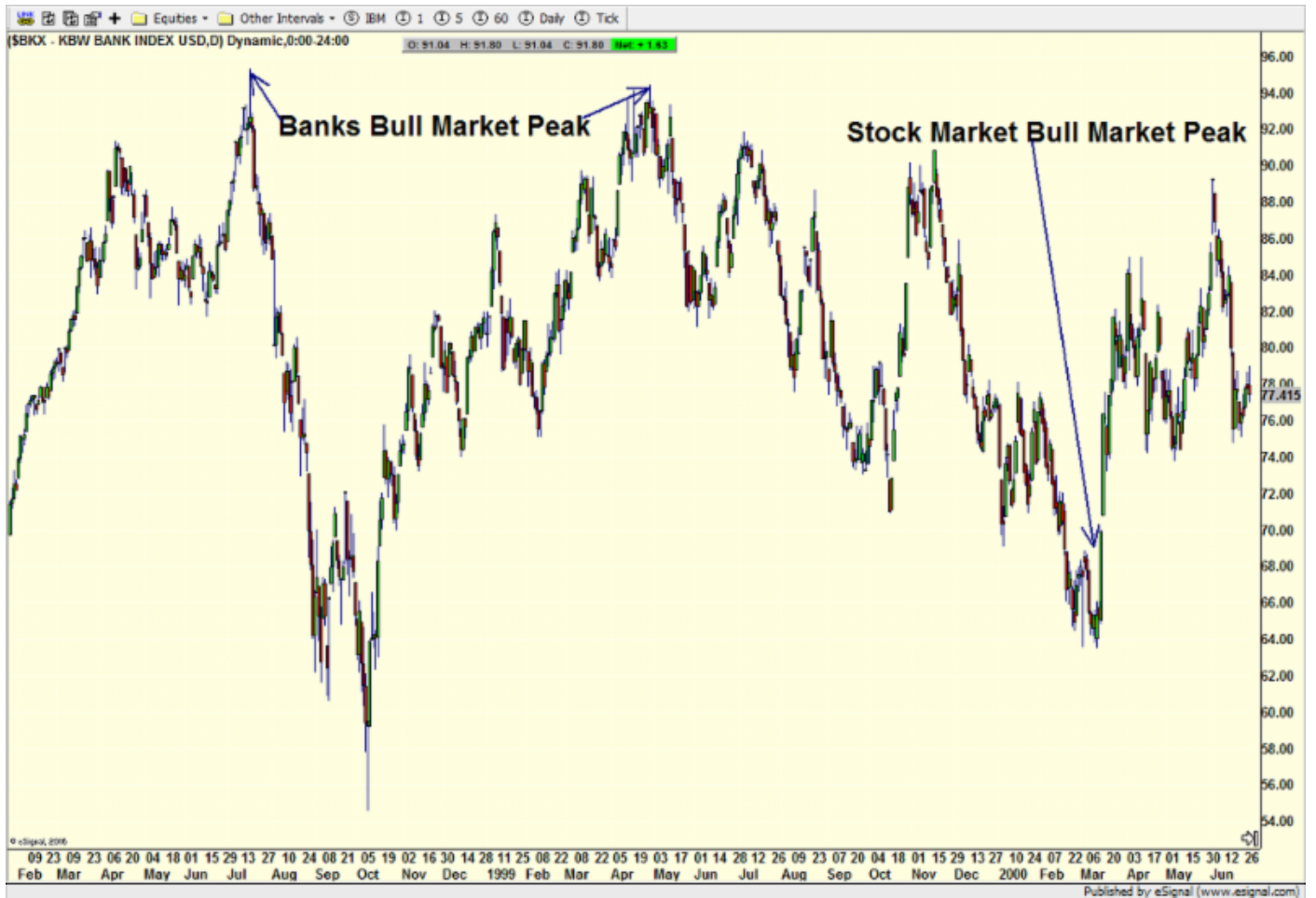
Since late July I have been in the camp looking for a trading range with a mild/modest pullback. I remain of that opinion today. Should stocks gather themselves and score fresh new highs this month, I think it will be a good opportunity to sell for a modest move lower into October. All along, I have written about a mid single digit pullback and that's still my target. I do not believe we will see a 10%+ decline.

I am not going to rehash my rationale for why a trading range/pullback and why so modest right here, but I do want to add color to a previous concern, the banks. As you know, the banks/financials are one of my four key sectors to a bull market's health. The other being semiconductors, consumer discretionary and transports.

Remember that the banks peaked in February 2007, long before the stock market did in October as you can see below. A 2 1/2 year, 50%+ debacle followed suit.



Before the Dotcom Bubble burst in 2000, the banks double topped in July 1998 and April 1999 before the bull market ended in March 2000. A 50%, 2 1/2 year collapse ensued.



Last week, the banks were at their lowest level in three months while the S&P 500 was one good day from all-time highs. That's not exactly healthy behavior and typically can lead to some kind of trouble for stocks. Additionally, the banks had also sunk below their long-term trend, more popularly know as the average price of the last 200 days.

The next few sessions are important for the banking sector. Bulls really want to see the group close above the pink line below (long-term trend) for a week straight. Failure to do so will likely result in the pink line beginning to trend down with price beneath it. That's a bad set up. Also, the price lows for 2017 are at the blue line, another line in the sand the keep a close eye on.



It shouldn't come as a surprise that behavior by the banks concern me or is troublesome for stocks. Banks are a primary driver of the economy. However, also remember that not all bank declines which diverge from the stock market lead to 50% declines.

## The Misconception About September's Ire

Academics and the media do a pretty good job of warning the investing public of September's historically poor performance. In fact, many investors become alarmed each year as August comes to an end and the various dire studies are paraded around. After all, since 1928, September is by far the worst month of the year with an average return of -1.1%. 39 have been up while 49 have been down. The other 11 months are basically flat or up with all showing more ups than downs.

### **HOWEVER**

Most analysts stop right there and find no need to dig any deeper. After all, September is factually proven to be the worst month and investors should proceed with caution. But do those 39 months where the month is up have anything in common? How about those 49 down months?

With some help from Oppenheimer & Co., I went back and found that much of September's negativity is dependent upon the position of price as the month begins. You can essentially use any long-term trend here to determine that. In this case, I looked at the 150 and 250 moving averages and

Oppenheimer used the 200 day moving average. There is nothing magical about any of the numbers.

When September begins with the S&P 500 trading higher than its long-term average (trend), the month turns a negative 1% performance into a plus .50% performance which is very average. Stop and reread that again. When stocks were generally in an uptrend, September's nasty bite was gone.

Since the bull market began, here is how Septembers have fared when beginning in an uptrend.

**2009 - up**

**2012 - up**

**2013 - up**

**2014 - down**

**2016 - even**

Looking at September a different way, let's take a look at Septembers the year after a presidential election.

**2013 - up**

**2009 - up**

**2005 - up**

**2001 - down**

**1997 - up**

**1993 - down**

1993 was the only down month which also began above its long-term trend. In other words, a failure in terms of the studies. 2001 was a large loss of 8%, obviously exacerbated significantly by 9-11. The other down months were relatively mild.

While the masses often fret about September, a closer look reveals that all Septembers are not created equal. September 2017 began with the S&P 500 in an uptrend.

# Combatting Financial Exploitation of Seniors

~~~~~

Willie Sutton was once asked why he robbed banks. "Because that's where the money is," he reportedly replied. When it comes to financial fraud, all too often the elderly are victims because they have accumulated assets over their lifetime. But there's another factor that contributes to elder fraud. Research indicates that age-related changes in the brain make it harder to detect suspicious body language and other warning signs that people may be untrustworthy. Regardless of the cause, financial exploitation of the elderly is on the increase and costs billions each year.

To combat financial exploitation of investment accounts of the elderly, the SEC has approved (1) the adoption of new FINRA Rule 2165 - Financial Exploitation of Specified Adults - to permit brokerage firm representatives/members to place temporary holds on disbursements of funds or securities from the accounts of specified customers where there is a reasonable belief of financial exploitation of these customers; and (2) amendments to FINRA Rule 4512 (Customer Account Information) to require members to make reasonable efforts to obtain the name of and contact information for a trusted contact person for a customer's account. Both become effective February 5, 2018.

The definition of "specified adult" in Rule 2165 covers those investors who are particularly susceptible to financial exploitation. A "specified adult" is (A) a natural person age 65 and older or (B) a natural person age 18 and older who the member reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests.

The rules "permit" but do not require the securities representative's action. They do provide financial professionals with a safe harbor from other requirements that would penalize them for failing to follow client instructions on a timely basis.

The National Adult Protective Services Association has published the following list of common scams:

Common Scams by Strangers

- Lottery & sweepstakes scams "You've already won! Just send \$2,500 to cover your taxes"
- Home repair/traveling con men "We're in your area and can coat your driveway / roof really cheaply"
- Grandparent scam: You're called and told your grandson is in jail and needs you to send money immediately
- Charity scams: falsely soliciting funds for good causes; very common after disasters
- Roof repair, yard work, home repair scams
- Telemarketing scams and accompanying threats

Common Scams by "Professionals"

- Predatory Lending - seniors pressured into taking out inappropriate reverse mortgages or other loans
- Annuity sales - the senior may be pressured into using the equity realized from a reverse mortgage (or other liquid assets) to buy an expensive annuity which may not mature until the person is well into their 90's or over 100
- Investment/securities schemes - pyramid schemes; unrealistic returns promised; dealer is not licensed
- Internet phishing - false emails about bank accounts
- Identity theft - credit cards opened fraudulently, etc.

- Medicare scams - these are the costliest in terms of the dollar amounts

Common Ways Family Members and Trusted Others Financially Exploit Vulnerable Adults

- Using a Power of Attorney, given by the victim to allow another person to handle his/her finances, as a license to steal the victim's monies for the perpetrator's own use
- Taking advantage of joint bank accounts in the same way
- Using ATM cards and stealing checks to withdraw monies from the victim's accounts
- In-home care providers charging for services; keeping change from errands, paying bills which don't belong to the vulnerable adult, asking the vulnerable adult to sign falsified time sheet

Investment Quotes/Adages To Live By

~~~~~  
"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,



**Paul Schatz**  
**President**  
**Heritage Capital LLC**

**1 Bradley Road Suite 202**  
**Woodbridge CT 06525**

**203.389.3553 Phone**  
**203.389.3550 Fax**

**[www.InvestForTomorrow.com](http://www.InvestForTomorrow.com)**

Published by Paul Schatz. Copyright (C) 2008 Heritage Capital, LLC. All rights reserved.  
StreetSmarts is produced and distributed regularly via email by Paul Schatz of Heritage Capital, LLC  
1 Bradley Road, Suite 202 Woodbridge CT 06525 Phone (203) 389-3553 Fax (203) 389-3550 - [www.InvestForTomorrow.com](http://www.InvestForTomorrow.com)  
Heritage Capital, LLC is an independent RIA not associated with any financial institution. Data used in this publication is gathered from reliable sources, although completeness and accuracy cannot be guaranteed. Performance results do not take into account any tax consequences and are not predictive of future results. This publication does not give any specific investment advice, does not provide financial planning services, or consider any individual's financial situation, needs or goals. This publication may not be reproduced or retransmitted in whole or in part without the consent of the author, Paul Schatz.

### Important Disclosure Information

Heritage Capital LLC ("Heritage") composite performance results represent time-weighted actual performance results for continuously managed Heritage accounts, which individual accounts Heritage believes to be representative of its investment management process (i.e. mutual funds and exchange traded funds) for each specific strategy during the corresponding time period. The composite performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, and the separate fees assessed directly by each unaffiliated mutual fund and exchange traded fund holding that comprised each account, and the maximum investment advisory fee that the accounts would have incurred (by applying the Heritage's current investment advisory fee of 2.00% as set forth in its current written disclosure statement) during the corresponding time periods.

Please Note: Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, equal the performance results reflected, or equal any corresponding historical benchmark index. The historical index performance results for all historical benchmark indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical performance results for all indices are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a Heritage program meets, or continues to meet, his/her investment objective(s). A corresponding description of each index is available from Heritage upon request. It should not be assumed that Heritage account holdings will correspond directly to any such comparative benchmark index. The Heritage performance results do not reflect the impact of taxes.

For reasons including variances in the investment management fee incurred, market fluctuation, the date on which a client engaged Heritage's investment management services, and any account contributions or withdrawals, the performance of a specific Heritage client's account may have varied substantially from the indicated portfolio performance results.

In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise Heritage immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by Heritage) will be profitable.

Information pertaining to Heritage's advisory operations, services, and fees is set forth in Heritage's current disclosure statement, a copy of which is available from Heritage upon request. Performance results have been compiled solely by Heritage, are unaudited, and have not been independently verified. Heritage maintains all information supporting the performance results in accordance with regulatory requirements.