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Good to See You Old Friend

First, I want to wish you a very happy and safe Memorial Day weekend. Memorial Day is often viewed as the unofficial beginning of summer, but it really is about remembering those who have fallen in service to the United States. Thanks to all the brave men and women who died serving our country and protecting our freedom. That's what I will try to teach my kids about this weekend in between the baseball games and barbecues with friends and family.

Last week, I had the privilege of teaching a class at the University of Massachusetts at Dartmouth in the Second Half program, which is aimed at folks in the second half of their lives. It was the second class I taught with the first one coming last October. I can't begin to tell you how enjoyable it was for me and how wonderful the attendees were.

We covered an incredible amount of information in a short period of time and the discussion was truly thought provoking. It gave me some ideas about holding some short webinars or conference calls to discuss a specific topic or

two. Thanks to Bev who runs the program and to my friend Doug Harvey who invited me to speak. If all goes well, Bev and her Second Half program may be expanding their reach next spring. I will be sure and keep you informed! On a separate note, I was having lunch with a client the other week and as we made our way to the table, I noticed an old friend from high school with his back to me. That thinning and receding hairline was the dead giveaway. So I tiptoed behind him and started patting him on his hair sprayed head. As he began to turn around to see who was annoying him, my eyes almost popped out of head and I began to sweat and grow uncomfortable.

Can you guess what happened next?

It wasn't Brian, my high school friend! It was some random guy who looked just like him from the back and somewhat like him from the front. And he was not exactly happy that a stranger was patting him on the head in front of his lunchmates. The words "I'm so sorry!" were never more appropriate!!

If you didn't see this on Fox News or read this in the Personal section of the Wall Street Journal, I thought the piece on the [Medicine Cabinet Quiz](#) was really interesting and worth sharing with you.

Finally, with the weekend ahead of us and Greece in the news once again, I would imagine there will be plenty of secret calls over the weekend among European leaders as well as the European Central Bank. At some point, they are going to come out with a major new liquidity program that will likely be announced on a Sunday night. I am working on an article about the Greece debacle right now, but I thought I should get this issue out now and then send the Greece article in a few days.

Way to Go Facebook!

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It's been 5 days since the much anticipated and incredibly overhyped Facebook IPO. First, it was all Apple, Apple, Apple. Then the media moved to J.P. Morgan, J.P. Morgan, J.P. Morgan. And now it's Facebook, Facebook, Facebook. And those of you who read my [blog](http://investfortomorrowblog.com/), Vestorly posts or Facebook page have already read about each of these topics ad nauseam. I guess I am guilty of hopping on those bandwagons.

And the other day, I contributed to the [New Haven Register's story](http://nhregister.com/articles/2012/05/23/news/doc4fbdaeef4f252625135824.txt?viewmode=fullstory) on the fiasco that is Facebook. The bottom line is that if you want to learn what NOT do when you come public, watch Facebook!

From the outset, there were clear warning signs, but even in my wildest dreams, I did not imagine it would spiral down like it did. As I wrote about before, I am not a believer in buying IPOs when they first open for trading. It's too emotional, too many crosscurrents and in my opinion, too much risk. For every high profile success like Google and Microsoft, you have hundreds or thousands of Zyngas, Groupons, Boston Chickens, AtHome.com and The Globe.com.

If a new offering is truly going to be a big success, I would rather wait a few days, weeks or months to let the stock shake out and settle down. It's better to pay a higher price with some comfort than get stuck with an IPO bust and start hoping that it goes back up and you can sell. Remember, HOPE is not an

investment strategy!

Anyway, what bothered me about Facebook before it came public was just how overhyped it was in the media. And that in turn, really created a buzz in the individual investor community. How could it possibly not be a hit? Well, to begin with, the lead underwriter, Morgan Stanley, kept raising the price range and increasing the amount of shares being sold. And those shares were coming from people in the know or "insiders". That really set off my greed meter. This is 2012, not 1999!

My original thought was that the stock would pop when it opened, settle down during the day and see a decline towards \$38-\$40 over the coming weeks.

But when the stock opened, we started hearing about all kinds of operational issues at the NASDAQ that supposedly led to incorrect executions reports and millions of dollars in losses by those making a market in the stock.

And then the almost unthinkable. The stock sold off all the way back to the \$38 offering price on day one, causing Morgan Stanley to legally manipulate the price by committing millions of dollars to buy the stock at \$38. Wall Street calls that "stabilization" and it certainly is not a good thing for any IPO, let alone such a high profile one!

So now, you have greed by Morgan Stanley and the company, insiders taking more chips off the table and the NASDAQ's trade execution system falling on its sword. Then the stock price falls and we begin to hear about Facebook lowering their revenue projections during the road show that was only communicated to a select few key investors. Oh yeah, "curiously" GM makes a high profile announcement that they are pulling their ads on Facebook for poor return on investment just as the IPO is coming out.

Could it have been any worse? I would have said no, but clearly, at least in my humble opinion, the company did something beyond arrogant after ringing the opening bell at the NASDAQ. They all disappeared!

Mark Zuckerberg and his inner circle definitely enjoyed being the toast of the town as a private company as the world courted them for weeks, months and years. But as a very high profile public entity, you have to deal with Wall Street's shortsightedness. What have you done for me lately? The media scrutiny is beyond intense and then there are the thousands, if not millions of shareholders to service on a daily basis.

The investing public just gave your company a \$100B valuation Facebook. And how do you thank them? You refuse all media requests. Very nice. Talk about screaming arrogance!

Yes, I think the Facebook IPO is an unmitigated disaster. It's the epitome of what not to do and how not to act. And that holds true whether the stock heads to the \$40s or \$20s. I think the biggest winners in all this will be the lawyers who are probably frothing at the mouth with impending lawsuits. It's already started and it will likely continue against Facebook, Morgan Stanley and the NASDAQ.

The biggest losers in all this are the investing public. Investors have become so skeptical, so mistrusting of Wall Street, so skittish on investing. And when they finally see an opportunity to dip their toes back in, we have the highest profile IPO bust in years, if not ever.

## Bulls Should Make Some Noise Here

In the previous issue, [I Would Become Concerned If...](#), I described the rest of scenario I saw where the stock market pullback could go and end. You can see that chart below.



To quote from that issue, *"If the bull market is still alive and healthy, the stock market should see a good low this quarter with a summer rally taking the indices to new 2012 highs and possibly higher."* I still believe that to be the case.

Below you can see that the stock market's pullback, so far, ended at just under 10% around Dow 12,300. Over the past week, we have seen enough evidence to support at least a short-term rally beginning of several hundred points as you can see in both the dark and light blue colors. It's at that point where the two scenarios diverge. The light one blue (more bullish) then see a brief decline followed by much higher prices, where the dark blue one (less bullish) sees a larger decline and then a good rally. Should stocks not be able to make much headway over the coming days and weeks or so, then we will likely see the dark blue scenario unfold without the short-term rally.



If you have a 401K or other investment accounts and want to discuss how to best position, please don't hesitate to call me directly at 203.389.3553 or hit "reply" to this email.

## Upcoming Appearances

ET NOW's Trading Calls - May 27 at 10:30pm

Fox Business' Markets Now - July 9th at 1:00pm

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

"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, 1931

"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 via Tim Woods

"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

## **Friends And Family Plan**

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Finally, as you know, our firm and this newsletter continues to grow mostly from your referrals. If you know anyone who is interested in securing their retirement, planning for it or just plain worried about it, please send them here. As always, thanks for thinking of us with your circle of family and friends.

[Sign Up Here](#)

You can also forward this email to family and friends by hitting the "forward email" hotlink at the bottom of this email.

## 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)**

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1 Bradley Road, Suite 202 Woodbridge CT 06525 Phone (203) 389-3553 Fax (203) 389-3550 - [www.InvestForTomorrow.com](http://www.InvestForTomorrow.com)  
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