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## Beware of Wet Beachballs

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A few weeks ago, the family headed to Falmouth MA where my wife's side has their annual gathering with grandparents, parents, aunts, uncles, cousins, children, etc. We all pile into a very "rustic" house that's right over the dune from the beach. And given the "character" of the house, we spend most of our time in the backyard for meals, cocktails and games. With 17 people in attendance, someone is always coming or going, especially my wife's aunt Gayle who literally makes 3-5 Starbucks and Dunkin Donuts runs per day. After just a few short days, it's kind of funny when she's on a first name basis with the staff and they welcome her like Norm from Cheers.

Anyway, each year, there is usually some kind of incident with one or more

of my kids. And this year, my 7 year old son was the victim. While I figured he would end up with some kind of iPad tunnel syndrome or overworked fingers, he surprised us all. On day number one of vacation, he decided to stand on a wet beach ball singing the song Afro Circus. And wouldn't you know it, he fell off the ball on to his wrist.

So after going from the clinic to the ER to the clinic to the orthopedist, all in just 10 hours, we have a nice, new, red, waterproof cast!



One thing about my son, which really surprised me, was his resilience. As soon as his wrist was immobilized, he was back to the happy, go lucky kid he always is. Not a single complaint about the pain, cast or orders not to go in the ocean or on to the beach. He could not have cared any less about having the cast on. Little did he know that fall Little League was no longer an option, but that's a different story!

I will end this first section with an interesting article on [5 Great Fat Burning Foods](#).

## **Both Scenarios Lead to Victory for the Bulls**

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Turning to the stock market, I was interviewed on FOX Business the other day, [Will the Election Drive the Markets](#). As you know, I often share my forecasted or preferred scenario when I have a strong opinion, but this time, I could see two paths possibly unfolding. The first is for this very slow, low volatility grind higher to continue straight through to the election before the bottom falls out. The other road see a more significant pullback

already in motion to a potential low later this month or in October followed by a very strong rally into January.

I am not trying to speak out of both sides of my mouth, but rather to offer plausible scenarios to follow as you can see from the chart below. I think whatever happens will be much clearer one week from today.



Here are a few items to note. On the positive side, high yields bonds, one of the most important canaries in the coal mine, continue to behave well and trade at or near all time highs. The NYSE advance/decline line, the numbers of stocks going up and down, continues to make all time highs. Both of these signify liquidity.

On the flip side, the Russell 2000 small caps and S&P 400 mid caps are lagging. That could change, but the longer it goes on, the more worrisome it becomes. Volume in tech stocks is running dangerously ahead of volume on the NYSE. That's a cautionary sign that is not easily fixed without a decline. Investor complacency is on the rise, which usually is a prelude to some type of market pullback.

With so many crosscurrents and more not mentioned, this is not what you typically see when a bull market ends. Usually, the evidence is

overweighted to the negative side with some key liquidity measures flashing warning signs. Lots to monitor over the coming weeks and months!

## All Eyes STILL on the Global Central Banks

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The most anticipated speech of the year was much ado about nothing as Ben Bernanke played his Jackson Hole address very close to the vest. And with his ECB counterpart, Mario Draghi, canceling his speech, there were no fireworks of any sort. Eyes now turn to tomorrow's (September 6) ECB meeting for clues about the bond buying program that has been hinted for some time. Eventually, the ECB is going to throw in the towel and print massive amounts of Euros, well into the trillions to join the Fed, Bank of Japan and Bank of England.

Next week is another jammed packed calendar with the expected ruling from the German courts (September 12) on the constitutionality of using their funds on bailouts. Given the trial balloons and rumors, the markets are certainly pricing in a positive outcome. We also have a two day Fed meeting on the 12th and 13th with the possible unveiling of the Fed's next bond buying program (QEIII). I think that outcome hinges on what happens this Friday with the monthly employment report.

And the markets are still waiting on more monetary easing from the Chinese!

So there is lots going on around the globe over the short-term and we should expect volatility to greatly increase!!

## Does Anyone not Love Apple?

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Last week, I spent some time with my friends at Yahoo Finance taping a segment on their Breakout show as well as a new weekly piece on ETFs (exchange traded funds). Here is [Bull Markets Die Hard](#) where I offer the forecast that story stocks like Apple, Google and Amazon are holding up the major NASDAQ indices and that it will not end well.

WHEN this current bull market ends, using history as a guide, it will be particularly unkind to the story stocks, especially Apple as it has become THE most beloved and popular stock in the markets. Everywhere I go; everywhere I speak; the chatter somehow circles back to Apple. And it's almost 100% positive talk. Any negativity is so easily dismissed. People are at ease rationalizing that the stock is cheap based on its P/E ratio. I

remember hearing the same thing in 2006 with regards to the big banks and homebuilders. At that time, so many were trading at single digit P/Es!

I don't have to remind you how that turned out.

Looking back 100 years, every single bull market has a story stock or two. In 1929, there were many like RCA, GM, Radio-Keith, and Electric Bond and Share. They all collapsed more than 75%. In 1973, Polaroid, Xerox and Avon could do no wrong. They all collapsed shortly thereafter. 2000 saw the end of the Dotcom bubble with the likes of AOL and Yahoo in everyone's portfolios. And as recently as 2007, Google was all the rage, right before it plummeted 66%!

This doesn't mean that all story stocks die forever. But it usually means that investors are punished to a degree in that stock or stocks like they have never seen before. While I hope that this bull market lives on for years and years and years to come, that's not likely. And stocks that are uniformly accepted as bulletproof should be watched more closely than other investments, at least that's my philosophy.

As always, I am here to help you, either with a plan to hedge a position or best protect your capital.

## **Upcoming Appearances**

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ET NOW's Trading Calls - September 9 at 10:30pm

Yahoo Finance's Breakout - [Bull Markets Die Hard](#)

Fox Business' Markets Now - October 4th at 1:00pm

Global Market Summit - November 29 in New York

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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"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.

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## To Your Financial Success,



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