



**March 16, 2008**

**11:08 PM EDT**

## **We're (STILL) In The Zone**

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**I spent much of the weekend on the phone and computer talking with as many people as I know in the industry to get a dialogue going on the events surrounding the record Bear Stearns collapse. In my 20 years in the industry, I cannot recall watching what was considered a blue chip stock go from \$60 to a \$2 rescue in just a few days. It's beyond unbelievable.**

**I have some recollection of the February 1990 period when the old Drexel Burnham Lambert collapsed in a few short days, but this seems a whole lot different. Not one person I spoke with could have fathomed this, let alone predict it.**

**In more recent history, Long Term Capital in 1998 was about as similar an event as you can find. And things got pretty darn hairy in October 1998 after experiencing the Russian debt default only a few months earlier.**

**That market parallel looks familiar to January 2008 and now the Bear Stearns collapse two months later. I wrote about expecting the headlines to remain bad and possibly get worse, but I gotta tell you, even I did not expect anything like this.**

**And yet, as Monday's open is going to be about as ugly as you will ever see, the major U.S. indices are either a little lower, even or a little higher than they were at the darkest hour in January. We've lived through a steady worsening of the news backdrop for 8 weeks and stocks are just back to those previous panic levels.**

**I got an email over the weekend that only had one line on it. The sender said, "Schatz, are you out of your mind? The world is coming to an end!"**

**That may be, but I don't think so. Not even close. I discussed the risk/reward recently and I still think it holds. Using the S&P 500 as a proxy for U.S. stocks, which, by the way, has an awful lot of financial stocks in it, I'll take the 1200 area as the worst case scenario this week.**

**On the flip side, I firmly believe we will see at least 1400 by Memorial Day and probably at least 1450 by July 4th. And those upside targets are conservative until we see some confirmation in the coming weeks. So yes, as I discussed in the last issue, I remain very positive on the stock market once this final panic ends.**

**And historically, as you know, every single market calamity has ended with a financial crisis. This may be the crisis of all crisis, but it too shall pass. A giant financial tsunami may have hit our shores, but the U.S. financial system will survive, retrench and thrive.**

**What I find pretty incredible after chatting with someone who is mathematical genius with the markets is that these kinds of events are only supposed to occur once every 50 or so YEARS. Yet, before 2008, we saw it in 1998, 1990 and 1987. I didn't include the 2000 - 2002 bear market since it really wasn't a crisis like today.**

**And from this, there will come an unbelievable amount of rules and regulations in the credit markets that frankly should have been there a long time ago with more defined lending rules. Although I grew up and entered the business as very green and naive, free market capitalist, clearly there needs to be a better set of ground rules to protect the masses.**

**After the S&L Crisis, the agencies really put the hammer down to prevent that from occurring again. Yes, I know. Talk about slamming the barn door closed and bolting after the the horses already ran out.**

**And following the dotcom blow up and various corporate fraud and malfeasance, the tech sector got very lean, mean and well run, just like the S&Ls in the mid 1990s. I believe the same thing will happen this time, but I have to wonder why we simply do not learn from our mistakes??????**

**While the short-term remains dark and murky, this crisis should begin to wane very shortly. If Monday morning is truly disgusting, you can even watch for firming throughout the day. Should the day build and build to the downside, then I would expect a bad Tuesday open and a reversal to close strongly.**

**I continue to view the stock market as very resilient given how many bad things have come and yet we're roughly at the levels seen during the January**

**panic.**

**Yes, there is blood in the streets. Yes, there is widespread panic and despair. But isn't that always the case at major stock market bottoms?**

**Now is the time to add money to your accounts or open a new strategy with us. Please don't wait until we see a 10%+ market rally before taking action.**

**If you use an advisor other than us, I do hope that your advisor is in constant communication with you during these turbulent times. This business is EASY when markets are only going up. And it's EASY to contact clients with only good news. You pay advisors very good money to receive the best client service in ALL markets!**

## To Your Financial Success,



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