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My Friend Tim's Schedule

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Before getting into the newsletter, here's a quick "commercial", pun intended. I am going to be a guest on CNBC's The Call on Thursday, April 30th between 11:05am and 11:20am. You can scroll down to see a list of upcoming media. Now to this week's edition...

Marketing experts will tell you that you should be able to give your business pitch to a stranger during a simple elevator ride, hence the name, elevator pitch. It should be simple, quick and easy to understand.

The other morning, as I walked my 5 year old daughter to the bus, she asked what I did for work, a question that has come up at least 1000 times in the past! She's probably been to my office a few 100 times in her life, so it's not like she's has no knowledge of work.

I told her that I managed other people's money. So, of course, she asked me, "what does that mean?" I attempted to explain that people give me their money so I can try

to make it into more money. And then she added, "what if you don't?" At which time, I began praying that the bus would arrive so this conversation could end!

It's tougher enough getting grilled by paying clients, now I have to answer to a curious 5 year old who thinks she's a soccer player, skier, baseball player and dancer all wrapped into one. And now, business consultant.

Thankfully, she ended the interrogation with, "Daddy, I'll just keep my piggy banks and let you and Mommy fill them up for me." That's right, just like the Fed and the government!

So clearly, I am not smart enough to be a New York Times reader. Don't worry. It's ok. I've come to grips with this long ago! The stories are long, harder to read and use bigger words. But I am usually pretty good with my kids' flash cards! The other day, they ran a piece on the recently released details of Treasury Secretary Tim Geithner's schedule while serving as president of the New York Fed. Thankfully, one of my intelligent friends passed the story along. You can click on the link below to read.

### [A Day in the Life of Tim Geithner](#)

It sheds a lot of light on why he was so asleep at the switch during the greatest financial crisis of the modern investing era and just how cozy he was with the various Wall Street titans. After reading this, you can make your own judgement on whether or not he should have been appointed to Treasury. You already know my opinion.

## **Economy Part Deux**

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After the last edition, I received a few emails questioning why I wasn't more positive on the economy's prospects over the next year. As I mentioned, I think the stimulus bill is a joke. It's not going to work. Sorry to be so blunt. Should the economy miraculously recover, the recent stimulus will be just a coincidence, not the cure.

The economic expansion we had this decade has largely been funded through debt. I've read ranges from 30-60% of the growth can be attributed to more borrowing than real expansion. The average American was spending well north of 100% of what was coming in. Yes, that's right. You made \$1000 this month, but actually spent \$1100. It came in the form of refinancings, home equity lines, credit cards and 401K loans.

That's not the type of sound foundation a good economy has for longevity! And as you already know, that party is now OVER. It's not in pause mode or seeing a temporary slowdown. The capital well as we know it is now dry. The leveraging (fancy word for borrowing a lot more than you can handle) machine is a thing of the past and it's time that everyone accepted it.

Looking ahead, those individuals and businesses that can gain access to capital or sell

that access to others are going to be in high demand. So think about it. If small and large businesses struggle to find money to finance inventories, what will they do? Cut the inventories. If banks and brokerages are forced to make "safer" loans and investments with higher capital ratios, how will they make the kind of money they need to and how will their customers gain access to money?

Historically, our economy grew, on average, between 3-4% a year. That's considered "trend growth". I've seen enough economists, including those in the government somehow drink the Kool Aid and believe we are going back to those days in the next few years. It ain't gonna happen! And the quicker you realize that, the better you'll be over the long-term with your own plan.

And it's not just access to capital that has me dour on the economic recovery. Taxes are going up. That's a fact. Although half the country doesn't pay them to begin with and it's supposedly "only" going to hit those making \$250,000 and up, don't believe for a second that it's not going to affect you.

I've surveyed clients and business owners and asked them how they are going to react. Most say that they will lean out their companies by eliminating or not filling positions to keep the bottom line constant to them. That's going to impact everyone. From the person either not getting hired or the ones let go to the other businesses that rely on the companies who are streamlining.

In 1937, FDR decided it was time to get the economy back to the old days. If you recall, stocks collapsed 89% from the 1929 peak to the 1932 bottom. But then, they rebounded more than 400% to 1938 as the government added massive stimulus, cut interest rates, lowered taxes and took on huge budget deficits.

Sound a little familiar?

After a 400%+ stock market rally and a reflating economy, FDR tried to do too much in a very short period of time. From trying to balance the budget to raising taxes and rates and then removing the massive stimulus from the system, the fragile recovery couldn't hang on as the country sank into a serious recession with unemployment spiking to 20%+ and fears of the Great Depression II on American minds.

As smart as we are supposed to be, it's pretty incredible that we don't learn from our own mistakes. Is there a better adage than "those who ignore history are doomed to repeat it"? Longtime readers know one of my favorite lines is that market history tends to rhyme rather than repeat.

Will we learn this time? Let's hope so, but our track record isn't so wonderful! For the reasons discussed above, that's why I don't have much confidence that any recovery now will be strong and sustainable. Rather, in a better case scenario, our economy will chug along slowly, backing and filling for years until we build a much more stable,

secure and sounder base.

To end this article on a lighter note...

All the king's horses and all the king's can't put the economy back together again. At least not the way it was for most of this decade! And we should be thankful that we'll be able to rebuild it in a better form.

Gold Bugs Unite!

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First, nothing has changed in my opinion on gold or energy. Still negative on gold and positive on energy. I've been doing a lot of reading on some of the gold blogs and sites. Boy, some of these people are out of their minds! It's like the answer to any investment question is GOLD! And the conspiracy theories being thrown around? It's enough to make you dig a hole, grab your canned goods, water and gun and say goodnight!

Here's my main issue with the gold argument right now. Gold peaked in March 2008 around \$1050. Since then, the Fed has "printed" TRILLIONS of dollars and the government, both republican and democrat, has infused at least a TRILLION into the financial system, not to mention what other TRILLIONS the global powers have pumped in.

So with all these TRILLIONS being flooded into the system after March 2008 creating the landscape for hyper inflation not seen since the Weimar Republic's days, why is gold lower than it was before the world started printing money?

The simple answer is that the gold bugs have it wrong. Long time readers know that DEFLATION is a much, much more powerful element in the system than inflation. And we've been in a deflationary environment at least since March 2008.

During deflation, money finds its way to the single safest currency, which is and has been the good ole U.S. dollar. Once deflation subsides and if gold can pullback to sub \$700, then I'll be right along side the gold bugs calling for \$2000 gold. But not now.

Below is a verbatim repeat of the comments I made in the last issue regarding gold and oil. They are still active today and worth printing again.

*"As far as gold goes, I remain negative since the \$990 level with lower prices ahead over the intermediate-term. But the shorter-term is just beginning to look a little brighter. While it's still early, there's chance for an opportunity to set up some time next week, although I do not believe it will morph into anything more than a short-term bounce in an ongoing downtrend."*

*Longer-term, once this major decline ends somewhere between \$600 and \$750, the stage could be set for a push to all time highs above \$1000 and beyond. There's a long way between now and then to assess entry and exit points.*

*As I've mentioned before, I remain concerned that energy is about to run to the upside. Whether it's already started or needs one more decline during spring, the next rally in oil should be the biggest one since the bubble burst last July.*

*Just like it bothered me when I saw predictions to \$200 a barrel last summer and mass public hysteria, I am almost as concerned now that no one is worried any more. There was a front page article in the USA Today saying that there's no way summer gas prices would significantly rise given the glut of supply in the market. I recall opposite articles last summer calling for \$6 to \$10 a gallon gas.*

*While I don't think we will return to last summer's parabolic prices any time soon, very few folks are prepared to see gas at \$3 or more during the summer season, something I think has a high probability of occurring. And can you imagine what higher energy costs could do to economic recovery attempts? All the "easy" money that the government is throwing around won't mitigate the affects of the phantom tax that a rise in energy has on consumer spending."*

## **The Four Horsemen Ride On**

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About two months ago, I briefly discussed the prospects for the old Four Horsemen, Amazon, Apple, Google and RIMM in a positive way. [First Mention of Four Horsemen](#). Not long after that, research showed that [25-50% Moves](#) were possible in short order. Interestingly, I did not receive a single email question or comment.

It's now roughly two months later. Amazon, Apple, Google and RIMM are all up 30-80% and the emails JUST began coming in to ask if it was too late to buy. I don't know if it's too late or where they will end up peaking, but your risk level has risen dramatically! I would be much more comfortable taking some profits now by cutting exposure in half, not the other way around.

When I first mentioned them, I did because of their resistance in following the market to new lows. They were exhibiting excellent relative strength. And they may continue to do so. But the key was that there was a very discernable point where we would know if we were wrong and to get out. At this point, it's difficult to do the same.

Upcoming TV Appearances

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CNBC's The Call - April 30th at 11:05am

WTNH (ABC in CT) - May 16 at 7:15am

CNBC's Reports - May 22 at 8:05pm

CNBC's Worldwide - May 26 at 5:30am

CNBC's Reports - June 19 at 8:05pm

CNBC's Worldwide - June 30 at 5:30am

You can view most of the past segments by clicking below.

## **Media Appearances**

### **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,



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

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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
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