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Up or Down? YES!

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Since late September, the common theme in my stock market forecasts has been for a 7-17% decline lasting well into November with varying small rallies along the way. We pretty much nailed the low in early October, the ensuing rally from there and then final peak mid month. The market kept cooperating with the roadmap and saw a roughly 7% decline into late October.

In the previous issue, [\*\*Dow 10,000...AGAIN?\*\*](#), I talked about a "time to rally", where stocks should bounce, but ultimately fail to exceed the mid October peak. So far, the Dow, S&P and NASDAQ have all reached higher levels, while the Russell 2000 Midcap 400 have yet to get there. *"IF the market is to remain on the exact same trajectory as we've seen since March, the whole decline is over at roughly 7% and we are going right back to new highs for 2009. You shouldn't be surprised*

*that I do not believe this is the case."*

The question I've received a lot lately is, "Is the market done correcting and how high is it going?"

First, although at the October low, the market had reached some fairly significant oversold readings, I was surprised at just how easily the rally caught fire. I was not expecting to see new highs just yet. By turning so strongly at exactly the moment it was doing the first really wrong thing since the bull run began, the market showed a tremendous amount of resilience and pent up demand into weakness. And it's entirely possible that the pullback we saw was it for 2009.

But I am not ready to relax and embrace just yet. There are still some cracks in the pavement that need either time and sideways market movement or another short-term pullback into December to fix. I am still not comfortable with the lack of volume on strong up days. As you know, volume is the horsepower of the market's engine and it's just not confirming.

As stretched as stocks were at the recent low, they are now back to stretched again on the upside. This can be seen easily looking at the advance/decline and up/down volume data. While this can persist for days, weeks or even months, the odds favor a resolution sooner than later.

Market sentiment (the number of bulls versus bears) has been moving around like a yo-yo this year. While we saw too many negative investors at the late October low, we're now seeing too many investors positive on the market's outlook. Those indicators are usually contrarian in nature, meaning the majority tends to be wrong at highs and lows.

But I guess the thing that bothers me most right now is that fewer and fewer key market sectors are leading the charge higher. (If I knew how to post charts here in Constant Contact, I would show you what I mean.) Prior technology leaders, like semiconductors, telecom and networking have yet to eclipse their October highs. The same can be said of energy and homebuilders. This can all be corrected with higher prices, but given the other concerns listed above, I am taking a "prove it to me" approach for a bit longer.

On the flip side, consumer staples, healthcare and pharma all seem to be assuming leadership roles. The problem is that these sectors are defensive in nature/ less volatile/ lower risk profiles and are generally unable to lead the market higher for more than a blip. They have followed along with other key leadership groups, but not replace them.

As I've mentioned before, this week is options expiration (3rd Friday of every month) when various derivative contracts stop trading. The trend has been for the market to remain in the direction it has been since the previous expiration, which in this case is

up. It's also been a trend to see a reversal the next week, so we'll see how the bears react.

**IF we get one more pullback, which I lean towards but not as strongly as I did earlier this quarter, I think it will be contained to 5-8% and wrap up by early December. The exciting part is that my models have upward projections to a minimum of 11,000 on the Dow with a chance to see 12,000 by next summer before the next major bout of nastiness sets up. But we can talk about that in a month or so.**

As always, feel free to email by hitting REPLY or call the office at 203.389.3553 with any questions or comments.

## **Bernanke & Co. Have Their Hands Full**

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The following article was written for the New Haven Register's financial blog, which I contribute to on a weekly basis. Please click on the link to read.

[Bernanke & Co. Have Their Hands Full](#)

Bond Market ABCs

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### **[Bond Market ABCs](#)**

## **Another Travel Nightmare**

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A few weeks ago, I wrote an article about my 4:30am traffic nightmare trying to get to the studio for CNBC. ([Here it is](#)) The theme of that piece was planning for the unexpected since it ends up happening many more times than we expect. I can't stress this enough, not only regarding the financial markets, but life itself.

We all know the markets will throw us curveballs on a regular basis and if we want to be successful, we have to adapt and adjust. When you buy something, and it doesn't matter if it's a stock, fund, bond or whatever, you should absolutely have a plan to exit if the road you envisioned taking, suddenly was closed.

Do you know the definition of a "long-term" investment? It's a short-term trade gone wrong. Don't get complacent. Don't use the market as an excuse. And it's not okay to sit back and say that since everyone else is losing, it's fine for me to lose.

A few weeks ago, my wife and I headed to California and Arizona for a long weekend. Work for me, R&R for her. Our first flight to Memphis landed early (perfect time for food!) and all was fine until the word "CANCELLED" appeared next to our San Diego flight's listing. I'm sure you know that feeling you get in your stomach when you realize that something ain't good!

We quickly ran to the customer service desk, only to find we were #100 in line for rebooking. My wife stood in line while I got on the phone with the airline and booted up my laptop to find as many alternatives as possible. After 15 minutes, another 75 or so people stood line behind her. This was not going to be good!

After almost 60 minutes standing in line, we finally made it to the front. At the same time, I spent about 45 minutes on the phone with an agent whose primary language was something other than English and ended up trying to book us on a flight to Montgomery Alabama. Why? I still have no idea! To her credit, she did reserve us seats 8 hours later to head to Atlanta. At least we had a back up plan.

After surviving the hour standing in line, the agent without compassion let us know point blank that this problem wasn't her fault and she couldn't guarantee a fix. Over the next 20 minutes, she offered several ridiculous options, none of which included leaving Memphis in the next 4 hours, but boy oh boy, she offered to compensate us with \$7 food vouchers.

After some "spirited" disagreements, the agent booked us on another airline, which was the best we could find. Until it took another hour to find the agent from that airline who let us know we didn't actually have tickets and our plane was already oversold.

After watching and listening to my wife scream, cry, etc. with fear of never getting out of Memphis and being sent back to the original airline, we contemplated just flying back home and calling it a day. My one last hope was to convince a third airline, United, to get us to a hub and we'd figure out the rest from there. So we ended up in Chicago, sitting for another few hours before FINALLY being sent to San Diego. 17 hours from the beginning, we got there, a full day of meetings canceled.

United, who did absolutely nothing wrong and only helped us, felt so bad about our experience on the other airline, they sent us future travel coupons. Thanks! And finally, welcome to my new readers, passengers and airline staff, whom we met during our 17 hour travel nightmare. It's great to have you "onboard".

Some Humor for the Week

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Besides sharing a humorous story or two from the insanity of my house of 5 plus 3 pets, there isn't much that's funny in the financial markets. Every now and then a friend shares one of the those email chains that truly makes me laugh out loud.

Hopefully, this provides a little humor for the week!

In Honor of Stupid People . . . .

On a Sears hairdryer -- Do not use while sleeping.  
(That's the only time I have to work on my hair.)

On a bag of Fritos -- You could be a winner! No purchase necessary. Details inside.  
(the shoplifter special?)

On a bar of Dial soap -- "Directions: Use like regular soap."  
(and that would be???....)

On some Swanson frozen dinners --"Serving suggestion: Defrost."  
(but, it's just a suggestion.)

On Tesco's Tiramisu dessert (printed on bottom) -- "Do not turn upside down."  
(well.....duh, a bit late, huh!)

On Marks & Spencer Bread Pudding --"Product will be hot after heating."  
(....and you thought????....)

On packaging for a Rowenta iron -- "Do not iron clothes on body."  
(but wouldn't this save me time?)

On Boot's Children Cough Medicine -- "Do not drive a car or operate machinery after taking this medication."  
(We could do a lot to reduce the rate of construction accidents if we could just get those 5 year-olds with head-colds off those bulldozers.)

On Nytol Sleep Aid -- "Warning: May cause drowsiness."  
(...I'm taking this because???....)

On most brands of Christmas lights -- "For indoor or outdoor use only."  
(as opposed to what?)

On a Japanese food processor -- "Not to be used for the other use."  
(now, somebody out there, help me on this. I'm a bit curious.)

On Sainsbury's peanuts -- "Warning: contains nuts."  
(talk about a news flash)

On an American Airlines packet of nuts --"Instructions: Open packet, eat nuts."

(Step 3: say what?)

On a child's Superman costume -- "Wearing of this garment does not enable you to fly."

(I don't blame the company. I blame the parents for this one.)

On a Swedish chainsaw -- "Do not attempt to stop chain with your hands or genitals."

## **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

Upcoming TV Appearances

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CNBC's The Call - November 18 at 11:10am

WTNH's (ABC in CT) Good Morning CT - November 22 at 7:25am

CNBC's Worldwide Exchange - November 25 at 5:30am

CNBC's Worldwide Exchange - December 24 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.

<http://www.investfortomorrow.com/newsletter.asp>

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

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