



July 27, 2011

5:26 PM EDT

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Quick Market Update

Today, July 27, was the first real day where I saw some very heavy and indiscriminate selling in the markets. More than 10 stocks were down for every one that advanced. The same mass exodus was seen in the volume of stocks going down versus up. Every single U.S. sector I follow closed in the red. All countries outside the U.S. with the exception of Mexico closed lower. People were heading for the exits.

But action like this has been seen over and over and over. So far, there has been nothing atypical about the three day decline in stocks. And given today's selloff, more red is certainly possible over the coming days or so. Since mid June, the Dow has risen from 11,900 to 12,800 and back to 12,300.

It would not be shocking, worst case, for stocks to revisit 11,900 again before regaining their footing and heading to new highs. That forecast remains unchanged. I remain of the belief that the stock market will resolve itself for at least one more run to new highs that will be based on what is becoming a record corporate earnings quarter with the exception of Bank of America. As such, until proven otherwise, I believe pullbacks are buying opportunities.

This whole deadline reminds me of how the media played up the first Persian Gulf war when Iraq invaded Kuwait in the summer of 1990. And if we didn't learn from that, the same thing happened in 2003 when we invaded Iraq. Markets typically sell the rumor and by the news.

I recall recuperating from surgery on my parents' couch in January 1991. At that time, just three years in the business, my plan was to buy after war broke out and the market collapsed. But as the first missiles began to fly on January 17 (?), 1991, stocks around the globe surged and launched a new bull market. While I do not believe the exact same scenario will play out here, I think most rational people believe that the looming "crisis" will be resolved sooner than later and the markets will shift their attention back to Europe and Q2 earnings.

Frustration, anger and name calling aside, I still think that those idiots in government (sorry, I couldn't help myself) will find a way to compromise and meet somewhere in the middle before any real carnage is done.

Regarding our investment strategies, and you are always welcome to disagree, our models do not take into account geopolitical news of the moment. I believe that is a losers game and I don't know anyone who successfully manages money based on today's headlines. Our models are not infallible, but I think they have done a pretty good job over the years. I continue to rely on them to navigate us through the stormy seas we occasionally hit. Keep in mind that the S&P 500 currently sits just 4.5% off its multi year hit! Yes, I know, that's for now.

As always, please do not hesitate to contact me directly by hitting REPLY or calling the office at 203.389.3553 if you have any questions or concerns.

FYI, I will be on CNBC's Worldwide Exchange tomorrow, Thursday, from 5:35am to 5:55am. I am sure we will be discussing the only topic anyone cares about right now, the looming debt ceiling deadline.

To Your Financial Success,



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