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A New Girl for Daddy

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This is another issue that will print long because of all the charts. I hope you enjoy it as I really had fun doing my research for it!

With tax season here, all 1099s and gain/loss reports will be mailed by February 29. Some have already been sent. If you have any issues, please have your CPA email me if you use one.

Don't forget your 2011 IRA contributions if you haven't done so already! The deadline isn't until April but why wait and scramble at the last minute!

On an unrelated topic, having to deal with customer service reps all the time, I thought the following Smart Money article was interesting enough

to share.

## [10 Things Customer Service Reps Won't Say](#)

And finally, what would a Street\$marts issue be without an anecdote from the Schatz family?!?!?

On February 13, my wife was speaking with our three year old son D who has to be involved in every conversation, every decision, every everything. So he was her resource for a little V Day gift as you can see here.

Teri: D, what do you think Daddy wants for Valentines day?

D: A new girl.

Teri: Excuse me? And just what's wrong with the one he has?

D: It's old and doesn't do what daddy wants.

Teri: What do you mean? Did Daddy tell you that?

D: No but that's why we don't cook the chicken outside anymore.

Teri (laughing hysterically): GRILL, D. It's a GRILL.

## **Top 15 Shockers for 2011 Review**

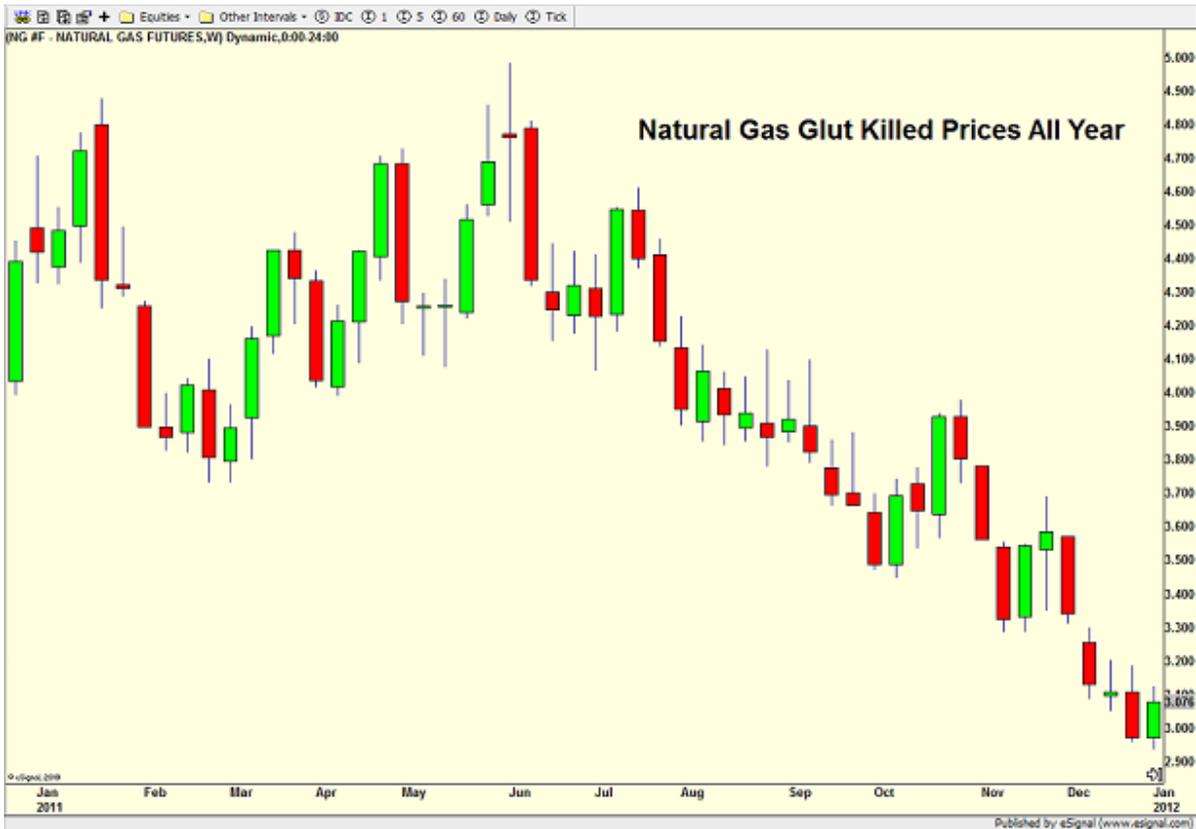
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Each year, I release a small list of somewhat off the wall things that I think have some chance of occurring. These are not forecasts, which I sent out a few weeks ago and can be found [HERE](#), but rather a list which a few should pan out and the rest toil in oblivion. Last year at this time, Yahoo! did several segments with me on this list and my comments created quite the stir with many in a not so nice way. You can go to our [Media Page](#), scroll down and click on the Yahoo! Finance icon to see more.

Before I get to this year's list, let's do a quick review of what I offered last year. You'll see my comments on how each did in red italics.

1 - After toiling in obscurity for more than two years while its energy cousins doubled and tripled, natural gas finally has its day in the sun as one the surprise investments of 2011, almost doubling!

Quite the opposite as a supply glut hung heavy on the market all year.



2 - The Euro currency's quiet bear market reinvigorates itself and heads to new five year lows and towards the ultimate shocker of parity (100).

While the Euro did not see fresh, five year lows, it was very hard, closing 2011 at its lowest level.

3 - Under tremendous pressure from both within and the financial markets, Bernanke & Co. do not launch QE3 when QE2 ends in June. Initially cheered by all, this leads to major asset peaks in stocks, commodities and high yield bonds.

This was the bulls eye of the list as the ending of QE2 coincided with the cyclical bull market peak and subsequent 20% correction.



4 - Joe Biden suddenly resigns the vice presidency and is replaced by Hillary Clinton, virtually assuring Barack Obama of reelection in 2012.

Not yet and probably not ever at this point, but Hillary is the likely successor to Obama as the party leader.

5 - Riding a renewed wave of cooperation with John Boehner and Congress, Barack Obama's popularity soars to heights forcing quality republican candidates to withdraw.

I think we all only wish there was a renewed wave of cooperation in DC!

6 - Powerhouse countries China and India lead the emerging sector to strongly choke off inflation by raising interest rates and draining liquidity. In turn, the bull market in emerging markets comes to a grinding halt.

Similar to #3, this one hit the nail on the head.



7 - Generation bubbles in cotton, sugar and coffee burst, sending these

high flying commodities in a tailspin.

Another shocker that came to fruition in a big way as you can see below.



8 - Driven by the wildest global weather on record, wheat, corn and soybeans soar to record highs, eclipsing the bubble prices of 2008.

One out of three as corn hit all time highs but wheat and beans did not.

9 - Contrary to widespread, depression like prognostications from Meredith Whitney, the municipal bond market does not collapse in crisis.

And what a great year 2011 was for muni bonds! Rumors of their demise were greatly exaggerated. Meredith Whitney became the latest one hit wonder and only hurt her cause even more by smugly stating that the market was wrong. And she wasn't very nice to me either on CNBC!



10 - The public's love affair with investment grade and high yield corporate bonds ends.

Certainly not in 2011!

11 - After two years and almost 100% rally, the public finally plows back into stocks, just like they did with tech in 1999, housing in 2006 and energy in 2008, precisely at the wrong time, leading to yet another case of getting caught holding the bag.

Clearly whoever plowed back in during the spring was left holding the bag as the 20% correction set in. But I don't think there was a rush into stocks from the public.

12 - While the economy chugs along during the first half of the year and the unemployment rate slowly declines, the trend sharply reverses during the second half as GDP slows and the ranks of the unemployed rises.

GDP did slow as the debt ceiling debate, S&P downgrade and Euro crisis worsened, but unemployment did not rise.

13 - The security no one wants to own, long-term U.S. treasury bonds, sees a dramatic resurgence during the second half of 2011.

Another huge winner from the list. Long-term treasuries were the big winner in 2011, but especially during the second half of the year.



14 - Investors infatuation with Apple and Netflix turns to sobs, tears and saturation as the outperformance grinds to a halt and turns rotten to the core as it's streamed through our living room.

One of two. Apple had a very nice 2011 while Netflix collapsed. But Apple is FAR from out of the woods and is developing into a clear bubble, whether it peaks in the \$500s or soars to \$1000 this year. It's going to end poorly!



15 - The once storied New York Mets are the doormat of the National League East, unable to win even 70 games as the Red Sox and Phillies dominate Major League baseball.

The Mets still stink, but they were not the laughingstock of baseball, at least not in 2011.

With 15 Shockers, I am thrilled we nailed more than just a few, but sometimes, it's better to be lucky than good! The good track record from the 2011 list doesn't bode well for 2012, but every year can't be a good one, right?

Top 17 Shockers for 2012

So now, let's get to the Top 17 Shockers for 2012.

1 - The Dow, S&P 500, S&P 400 and Russell 2000 all score all time highs.

2 - To the surprise of investors around the developed world, many of the major European countries, like Germany and Sweden, lead the global stock market rally.

3 - All the rage in 2011, dividend stocks fall on relative hard times as they underperform all other equity indices, the result of the risk on attitude and less than favorable tax treatment being discussed all year in Congress.

4 - With stocks flying and the economy incrementally improving, the much divided Fed discusses and argues about QE3 during the first half, but holds off until closer to the election.

5 - Smart money investors buy up all companies that make ink for currency as the European Central Bank (ECB) just begins to warm their printing presses on the way to trillions and trillions of QE this decade.

6 - The secular bull market in gold lives on after a year's digestion as the shiny metal soars to new highs and above \$2000 an ounce.

7 - After digesting for most of 2011 and early 2012, energy prices begin to soar, taking home heating oil prices to multi year highs and gas at the pump well north of \$4.

8 - China lets their currency float more, allowing it to grow stronger and stronger and stronger against the dollar.

9 - The SEC comes down hard on leveraged exchange traded funds (ETFs) and sets their sights on high frequency trading into the election.

10 - After one of the most volatile years in history, 2012 is shockingly non volatile.

11 - With surging energy prices, a sea change begins to bring natural gas into mainstream life with mass transit, trucks and cars.

12 - The \$2+ trillion on corporate balance sheets that has been built for years, remains

exactly where it is now, awaiting the election results and decision on the Bush/Obama tax cuts.

13 - Congress and the president learn their lesson (really Paul?) from what has now become the Bush/Obama tax cuts. As they are set to expire, forcing the single largest tax increase in history, an agreement is reached where the middle class cuts are made permanent and a compromise is forged for upper income earners with higher taxes, but less than the expiring rates.

14 - Israel and Iran saber rattle all year, but with so many democratic elections worldwide, Israel does not get the green light from its western allies, especially the U.S., to take out Iran's nuclear facilities.

15 - As the election draws closer, the Obama administration launches a trillion dollar rescue plan for mortgages holders in trouble.

16 - With a roaring stock market, growing economy and stable geopolitical landscape, President Obama handily beats Mitt Romney and is reelected for another term with the Senate flipping over to republican control.

17 - The world does not end on December 21, 2012 as the Mayans predicted.

Upcoming Appearances

WNPR's (90.5 FM) [Real Life Survival Guide](#)

CNBC's Worldwide Exchange - February 16 at 5:35am

ET NOW's Trading Calls - February 20 at 9:30pm

CNBC's Worldwide Exchange - March 21 at 5:35am

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

"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

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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1 Bradley Road, Suite 202 Woodbridge CT 06525 Phone (203) 389-3553 Fax (203) 389-3550 - www.InvestForTomorrow.com

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