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And the Winner is...

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So here we are, election day. No more political ads on TV. No more automated phone calls. No more political yard signs. And no more direct mail. When we see people beaten and their lives threatened for trying to vote in other countries, it makes you appreciate how good we have it, no matter who wins. Just get out there and vote.

I spent the last two days reviewing and confirming more than 100 years of research on the stock market's ability to predict the outcome of the presidential election. Since early 2011, I have forecasted an Obama victory because we saw a generational low so early in his term (March 2009 at Dow 6500) and it would be extremely unlikely for the stock market not to behave favorably over his four year term.

Additionally, as time wore on, you could see the market pricing in an Obama victory based on how various sectors acted. Until recently, it sure looked like a significant margin of victory. None of this has to do with my personal opinion on which candidate is better suited to lead the country,

just what the market was saying.

So where did all of the research end up?

In 2008, it correctly forecasted a landslide for Barack Obama. In 2004, it was evenly split even though Bush won by a sizable margin. In 2000, it was correctly split but the strongest piece was in Bush's favor. In 1996, it was accurate in Clinton's overwhelming victory, but erred in 1992 by calling for Bush's reelection. It was right in 1988, 1984, 1976 and 1972 but wrongly had Carter winning in 1980.

On the employment side, no president has ever been reelected with unemployment above 7.4%. It is now 7.8%, but has fallen roughly 1% over the past year.

The three market statistics I use are two to one in favor of Romney, but the strongest of the three favors Obama. For the past month, I have used Dow 13,200 as equilibrium in the race. A Dow under 13,000 would be very favorable for Romney while over Dow 13,400 should keep Obama in office. Amazingly, as I type this, the Dow is sitting squarely on 13,200.

So similar to 2004 and 2000, the data suggest that it's essentially too close to call, virtually a dead heat. That's exactly what the country does not need! I think that Obama will be reelected by a slim electoral college margin, but the popular vote will be even or perhaps even a slight Romney victory.

Here is a fun election fact.

The NFL's Washington Redskins have as good a track record as anyone in forecasting the election, only missing in 2004. If the Redskins win their final home game before the election, the incumbent party prevails. If the 'Skins lose, the challenging party wins. Two days ago, Cam Newton and the Carolina Panthers came to D.C. and beat the hometown Redskins, much to Mitt Romney's liking...

Below you can see how the stock market might react to a victory by each candidate.



## Upcoming Appearances

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Real Life Survival Guide - November 7 at 4:30pm WNPR Radio

Global Market Summit - November 28 in New York

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

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"The only easy day was yesterday."

- The U.S. Marines

"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**

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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.

**[Sign Up Here](#)**

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## To Your Financial Success,



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