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Amazing Gift

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It's been a very busy month here both in the office and especially with the family. While school finally ended for the kids, swim meets, which I officiate, and baseball and softball games, which I coach, have been seemingly every day. There is a light at the end of tunnel to finally get into summer mode as soon as this weekend.

Over Father's Day weekend, always a favorite holiday for me, I received the most awesome gift from my family as I watched the single worst U.S Open of all-time. My kids created this video with just a little help from my better half. I must have played it a few dozen times already and will continue to do so!

<https://animoto.com/play/RTFvJyR08RunA0BYa1HcAQ?autostart=1>

With so much going on in June, I used my blog for updates. If you are not receiving notification when something new is posted, feel free to sign up on the blog. Volatility has finally come back to the markets and stocks are headed back to the lower end of the trading range I have been discussing for months.

Nothing has really changed from my perspective, Greece or not. The stock market has continued to weaken internally and was waiting for an excuse to pullback, just like we saw last October with the Ebola scare. Once sufficient pessimism has been built up, I will look for a significant low to form and set the stage for much higher prices. The bull market isn't over.

Don't forget to check our blog for intra-issue updates.

[www.Investfortomorrowblog.com](http://www.Investfortomorrowblog.com)

## **What You Need to Know About Greece**

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If you weren't already exhausted by the constant stream of headlines regarding Greece's inability to meet their financial obligations, you should be now! After more than five years of negotiations, deals, posturing and extensions, the situation in Greece seems to be coming to a head. I hesitate to use the word "crisis" because unless you're living there and feeling the depressionary pain, this is really a fringe story. What I find interesting is that we are finally seeing all parties involved dig their heels in to play tough.

Here is an interview I did late last week before the events unfolded. [CNBC India](#)

This isn't another Lehman Brothers. I am not worried about contagion like sub prime mortgages in 2007. I don't fear counter party risk like with AIG. Greece's creditors are at the top of the food chain where bailouts aren't needed.

I won't rehash the past five years, but I have written many times that Greece has actually been in default more than they have been current in their obligations over their long history. This is cultural more than financial. For example, Greek citizens have a history of unprosecuted tax evasion. It's accepted as business as usual. Their socialist system simply does not work. You can't have a full pension retirement age of 57 when life expectancies continue to grow and your country has no means to pay those people.

Over the weekend, two significant announcements were released. First, the Greek government scheduled a referendum for July 5th on whether to accept the new "deal" offered by its creditors. This is a very bold and fascinating move by Athens, essentially abdicating the decision to its citizens who have protested the deals in mass. They reject austerity. They reject raising taxes. They reject raising the retirement age. They reject pension cuts and reform.

What they want is old fashioned business as usual, which has about as much a chance of happening as I do of becoming six feet tall! I am currently 5'8".

Besides the referendum, the Eurozone finance ministers refused to a one month payment extension and the European Central Bank (ECB) announced that they would not increase emergency liquidity measures for the Greek banks, essentially forcing their hands by saying enough is enough without further concessions. As you might expect, this caused an immediate run on the banks throughout the night and potential collapse in their entire banking system. And, as you might expect, the Greek government then shut down the banks at least until Thursday to stem the tide (NOT) and begin to put capital controls in place on withdrawals.

So, what we have is a very high stakes games of chicken between Greece and the Troika. Troika being the ECB, IMF and European Union. Greece remains in a lose-lose situation. Continue to accept austerity measures and remain in a deflationary depression, which is a bit redundant. Or, tell the Troika to go pound sand, default on everything, leave the Euro and issue drachmas, which would send the country into some type of modern day inflationary spiral where imported goods would grind to a complete halt.

Neither option seems appealing, but if I had to choose, I would take the latter, somewhat like Iceland did six years ago, except they had their own currency. Their stock market collapsed 90% along with their banking system and economy. However, five years later, the world was already loaning them money again and the recovery was brisk.

The Troika fears Greece exiting the Euro because it sets the stage for other, much larger and more economically and financially important countries to leave, like Portugal, Spain and even Italy. That's a story for later this decade.

## **Birds, Salmon and Russell Rebalance**

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As the birds fly south for the winter and salmon spawn each fall, it's time for the annual reconstitution and rebalancing for the Russell 2000 index of small cap companies. The Russell 2000 represents the smallest 2000 companies in the Russell 3000 index. The companies which no longer rank in the 2000 are jettisoned and the new ones are officially added on June 26th. This is all based on the rankings as of May 31st.

As this happens only once a year on a fully disclosed schedule, there are a few ways to play this event in the markets. The first is the easiest and doesn't involve much work. Over the week leading up to the June 26 rebalance, the Russell 2000 tends to outperform the S&P 500. If you are long the market, you can shift your holdings towards exchange traded funds (ETFs) like IWM, or you can buy an ETF like IWM or its Rydex mutual fund

counterpart and sell short the S&P 500 ETF like SPY or its Rydex mutual fund counterpart.

A much more involved and complex trade would be to anticipate which stocks could potentially be added to the Russell 2000 using the May 31st data and buy those while at the same time selling short those that could potentially be removed from the index. As with all trades, you need to recognize your own risk tolerance as external market shocks can sometimes trump all.

Having been overweight in the Russell 2000 versus the S&P 500 for some time, I am watching post June 30 for signs of the trade reversing and time to go back into the S&P 500.

Homebuilders Still Offering Opportunities

The other day, I did an interesting segment with the good folks at Yahoo Finance regarding real estate, housing and the home building sector. You can view it [HERE](#). In my 2015 Fearless Forecast, the home builders were one of my top sector plays for 2015 and they have not disappointed so far, although others certainly have!

Sue Lee, the interviewer, asked me for a few companies which look particularly good. I answered by saying that I would much rather buy the whole sector through an exchange traded fund like XHB or ITB instead of cherry picking. There are a few reasons for this. First, I think the sector is ripe for consolidation, but choosing who are the acquirers and acquirees is above my pay grade. Second, the purest plays in the sector like Lennar, Toll, Beazer, Ryland, Pulte, Hovnanian, Kaufman Broad, etc. actually trade weaker than the secondary plays that support the industry like Mohawk, Aaron's, Tempur Sealy and Owens Corning.

As I briefly discussed with Yahoo, the tailwinds to the builders are mergers and acquisitions activity and lower input costs to build houses, like raw land, lumber and labor. Higher mortgage rates is the primary headwind. This is absolutely not the same as the housing industry as a whole, which is suffering from high rates and the lowest home ownership numbers in 30 years. Additionally, baby boomers are downsizing and selling, but too many millennials, the organic buyers, don't value home ownership like previous generations. I don't know if this is cause or effect, but millennials prefer renting or living at home as mortgages have been tough to come by for this group.

Upcoming Appearances

Fox Business' Making Money with Charles Payne - July 7th 6:00 - 7:00 PM

Fox Business' Making Money with Charles Payne - July 14th 6:00 - 7:00 PM

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

"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, 1984

"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

"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

"A little bit at a time adds up to a lot in no time"

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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