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Summer Vacation 2015

It feels like months since the Schatz family summer vacation, even though it was only 6 weeks ago. I also can't believe it was the first vacation of the year. As we have done in the past, the family headed to [New Seabury](#) on Cape Cod where we spent the first part of the trip with just our immediate family before meeting up with Teri's extended family in Hyannis.

For me, I just want good weather, good fun, good drinks and plenty of good quality time with the kids. I don't need the most luxurious accommodations or a jam packed schedule. I just want to relax and hang out. Add in some time with ski friends who owned a house in the same development and it was a fantastic trip... when we finally got out of CT.

As we packed up Teri's mini-van and my SUV, I turned on the news to see if beach traffic had started yet. Much to my shock and dismay, BREAKING NEWS was crawling on the bottom of the screen. I-95 was closed in both directions in the Old Lyme area. I wanted to stay home and wait it out, but that decision was overruled.

After breezing to Old Saybrook in 45 minutes, 95 began to slow down, so we sought an alternate route. The roads off the exit were like parking lots. 30 minutes later, we were sailing along north on some local road. Another 30 minutes later and we were crawling down some one lane road in the middle of nowhere. Little did I realize that thousands of other travelers also had a GPS to re-route them.

After stop and go traffic for more than an hour more, we saw the light at the end of the tunnel, a free flowing I-95. Our detour took us north, south, east, north, east and then south. Three hours to get around the closure and we advanced a total of 10 miles. All told, it took us 4 hours to get out of CT, which normally takes an hour. That was the low light of our vacation.

At least a lunch or two at [The Clam Shack](#), the finest oceanside seafood on earth! I ate three orders by myself!!



What's a vacation without nightly visits to a local homemade ice cream shop?



The activity highlight for me was family jet skiing. We paired up with the kids and my father-in-law joined us. My youngest and I went far out in the ocean where it was rough so we could jump the waves doing 30-40 mph. It was such a blast... until I could not get out of bed the next morning with excruciating back pain that lingers today. But I would do it again tomorrow!



About the only time I read books is when I travel. This trip, I read Peter Atwater's Moods and Markets as well as Bill Geist's Little League Confidential, a must read for anyone who has ever been involved in Little League.

As I mention from time to time, in between Street\$mart's issues I am often very active on www.investfortomorrowblog.com. If you would like to be notified when a new posting has been made, please see this link. <http://www.investfortomorrow.com/BlogAlerts.asp>

Post-Crash Behavior Still Following My Scenario

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Immediately after the August 24 mini crash, I opined that the bottoming process could begin as early as that very week, which it did. I also wrote extensively and did a fair amount of media discussions on the topic. So far, the major indices are nicely following that scenario which had stocks rallying off the crash low into a September peak and then revisiting that low by the middle of October.

Remember the comparisons I offered from 1987, 1989, 1994, 1997, 1998, 2010 and 2011? You can read the full article [HERE](http://www.investfortomorrow.com/newsletter/CurrentStreet$mart's20150902.pdf). ([http://www.investfortomorrow.com/newsletter/CurrentStreet\\$mart's20150902.pdf](http://www.investfortomorrow.com/newsletter/CurrentStreet$mart's20150902.pdf))

I was also excited to share my findings on [CNBC's Fast Money](#).

At this point, I am totally eliminating 1994, 1997 and 2010 as the correlation (how closely the patterns resemble the current one) has broken down. I am also partially eliminating 1987 and 1989 as the rally from the crash bottom to the ensuing peak was a mere two and five days long as you can see below.





We are now left with 1998 and 2011 as the most likely comparable periods to today. Not surprising, they are very similar as I review the price action, number of days in the rally period and days separating the mini crash low from the final low.

Below is 1998 where we see the late August crash, followed by a 17 day rally and 28 days between the lows before stocks embarked on a powerful rally to fresh all-time highs.



2011 is next and similar. 17 days of rally with 40 days between lows.



Finally, 2015 is below. First, you can see how the rally period allowed me to partially or mostly eliminate 1987 and 1989 although 1987 still looks similar to 1998, 2011 and 2015 if you look at the days between lows.

While the higher highs in the rally from the August mini crash looks more like 1998 than 2011, 1998 also rallied further than what we saw last month. I would offer that a synthesis of 1998 and 2011 is probably the best fit.



## Where Are We Now in the Post-Crash Pattern?

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The only thing missing from a "perfect" pattern is for the S&P 500 to breach the August lows for up to a few days. I hesitate to use the word "perfect" because it rarely plays out exactly as I expect, but it certainly did so in 2011. Additionally, in both 1987 and 1989 which I partially dismissed, the final lows did not breach the crash lows before the big rally began.



As you can see from the chart above, I have two colored scenarios to the right of where the current price action ends. The light blue is the more immediately short-term bullish scenario and has the final bottom as being in and the rally beginning last week. The orange line is less short-term bullish as it has one more decline into the final low over the coming few weeks before blasting off to the upside.

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, 1984

"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

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