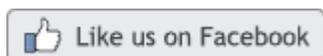




September 13, 2016

9:31 PM EDT



## Inside this issue

[I Want My Summer Back!](#)

[Thrust Says to Buy Weakness](#)

[Buy the Short-Term Dip](#)

[The Poop on the Presidency](#)

[Investment Quotes To Live By](#)

## I Want My Summer Back!

~~~~~

How can summer be over when it feels like it just began? I can't tell you how many times I asked that question since August 1st. With the youngest and the oldest playing baseball and softball until almost the end of July it felt like Teri & I just had a single month to rest and recharge before everything started all over again. And here it is, September. The three kids are back in school and baseball, softball, tennis and piano have all started back up again. Where did our summer go? I want it back!

Even though summer flew by and we only had all three kids home together for a few weeks in August, we did manage to do lots of fun things. As I try to do each summer, I did play in a handful of charity golf tournaments which benefited some very good causes. Last month, I enjoyed the [Kevin Ollie Golf Classic](#) which supports sports venues for kids with disabilities. Kevin is the UCONN men's basketball head coach and such a phenomenally great guy. However, the picture below isn't of Kevin. It's his former teammate, Boo Willingham, and me (standing on my tip toes). Not only is Boo very tall, but he is very funny and even more accepting of a little golf advice. He tried to offer me some basketball help, but at 50, I know I am helpless and hopeless.



One of our family's all-time favorite places to eat is below and a picture I typically post every summer. It's called [The Place](#) and you eat outside on tree stumps from food cooked on a huge open fire and throw your clam shells right on the ground. It's also BYOB and great for large groups.



Finally (for this issue), the family spent a day at [Brownstone Exploration and Discovery Park](#), somewhere I have always wanted to go. Yes, I know I put on a few pounds! Built in an old quarry that is now filled with water, it is beyond amazing with more than a dozen zip lines from towers to cliffs to trees. Wakeboarding, cliff jumping, trampolines and climbing structures in the water, good food and more. It is an absolute must for families!



I am back in the office this week after spending a few days in New York continuing to broaden my knowledge base on social security. As most of you know, I typically walk around the city. Well, the other day, I was walking down 46th street towards 6th Avenue minding my own business when some random guy clears his throat and then spits on my shoes. My jaw dropped and I was speechless...

As I mention from time to time, in between Street\$marts issues I am often very active on [www.investfortomorrowblog.com](http://www.investfortomorrowblog.com), especially when markets are volatile like they are now. If you would like to receive an email when a new blog post has been made, please click on the link below.

<http://www.investfortomorrow.com/BlogAlerts.asp>

## Thrust Says to Buy Weakness

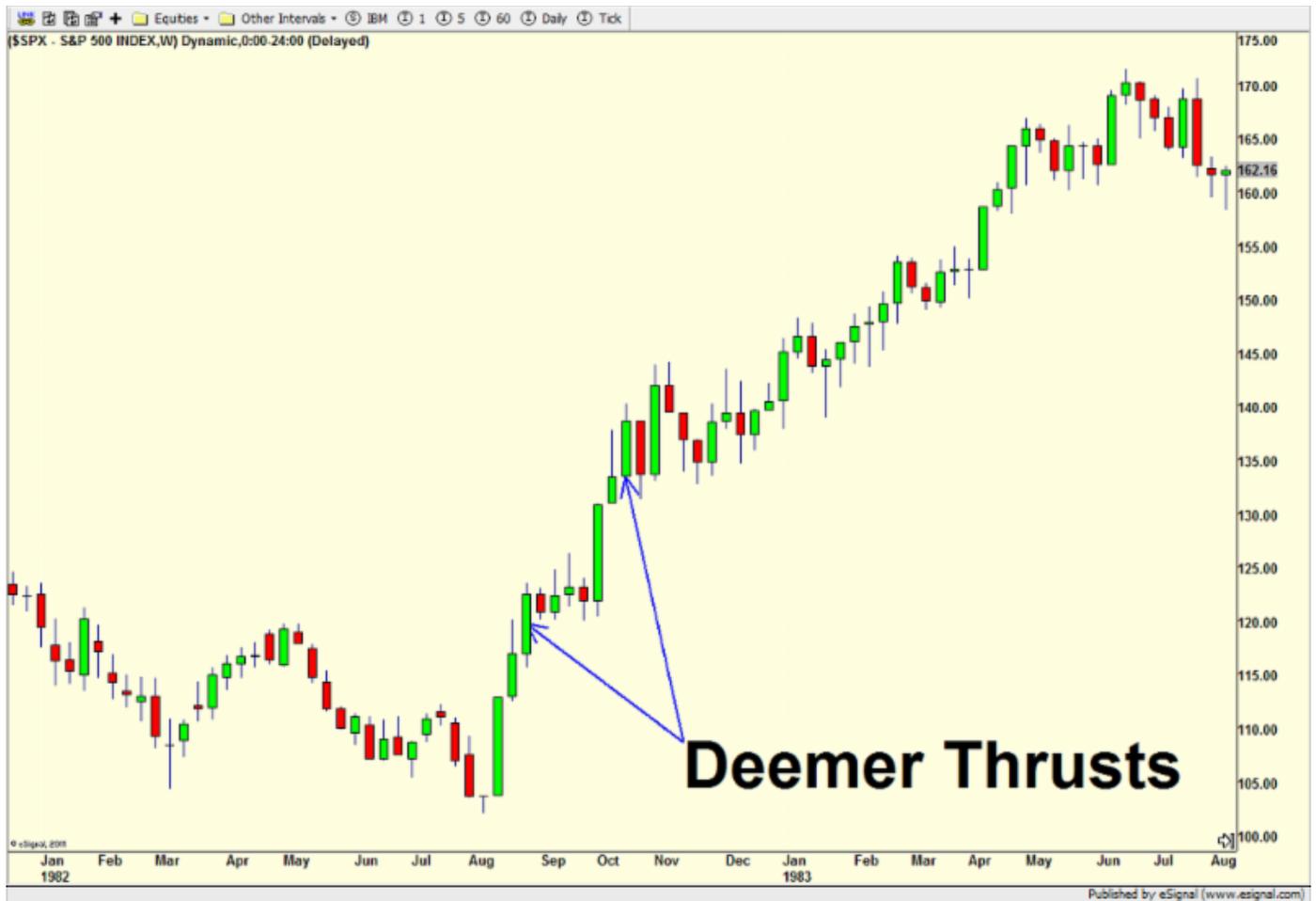
---

Until last week, there had been very little in the way of downside since the BREXIT bottom in late June. Stocks soared, almost uninterrupted, into August before leveling off. That rally saw some truly historic readings of strength which I discussed on [www.investfortomorrowblog.com](http://www.investfortomorrowblog.com). Most people refer to that kind of power as "thrusts", like a rocket taking off. Once it hits escape velocity, it rarely falls back to earth. The same can be said of the stock market.

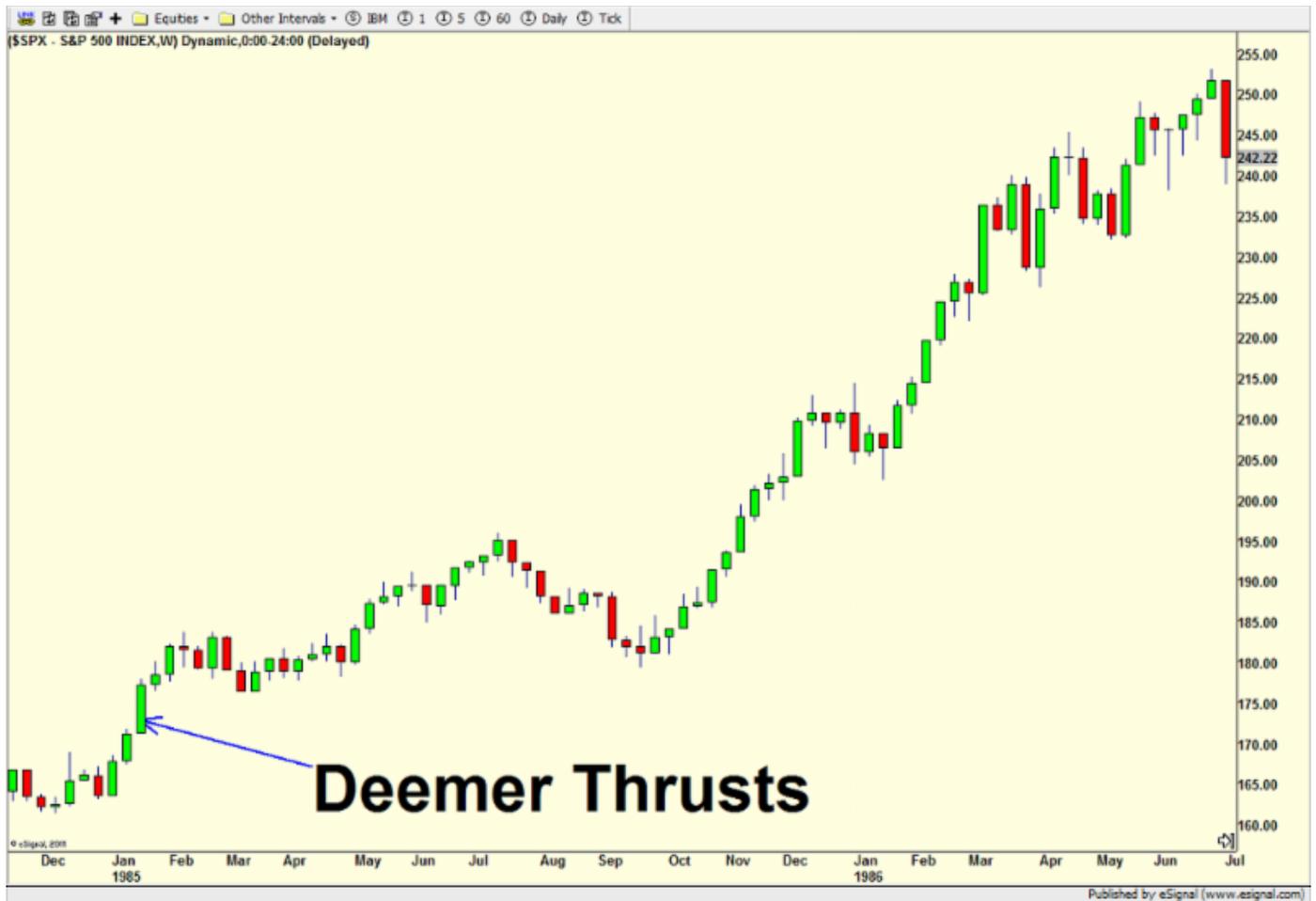
In mid-July, we saw a variety of thrusts whether you look at the number of stocks going up versus down over a 10-day period or volume in those stocks or ratios of volume and participation. The bottom line is that we saw historic strength rarely seen in the markets. This type of strength has typically been seen when bull markets initially launch or new legs begin in ongoing bull markets.

Using the Deemer Thrust, coined by retired technician Walter Deemer, there have been 10 such thrusts since 1980. I could go back to the 1930s but it really wouldn't change much. 100% were successful. By that, every single one produced double digit upside without much downside pain at all. Not all took off and never looked back, but stocks didn't go much lower than the initial thrust. 1992 saw the most downside and that was just 5%

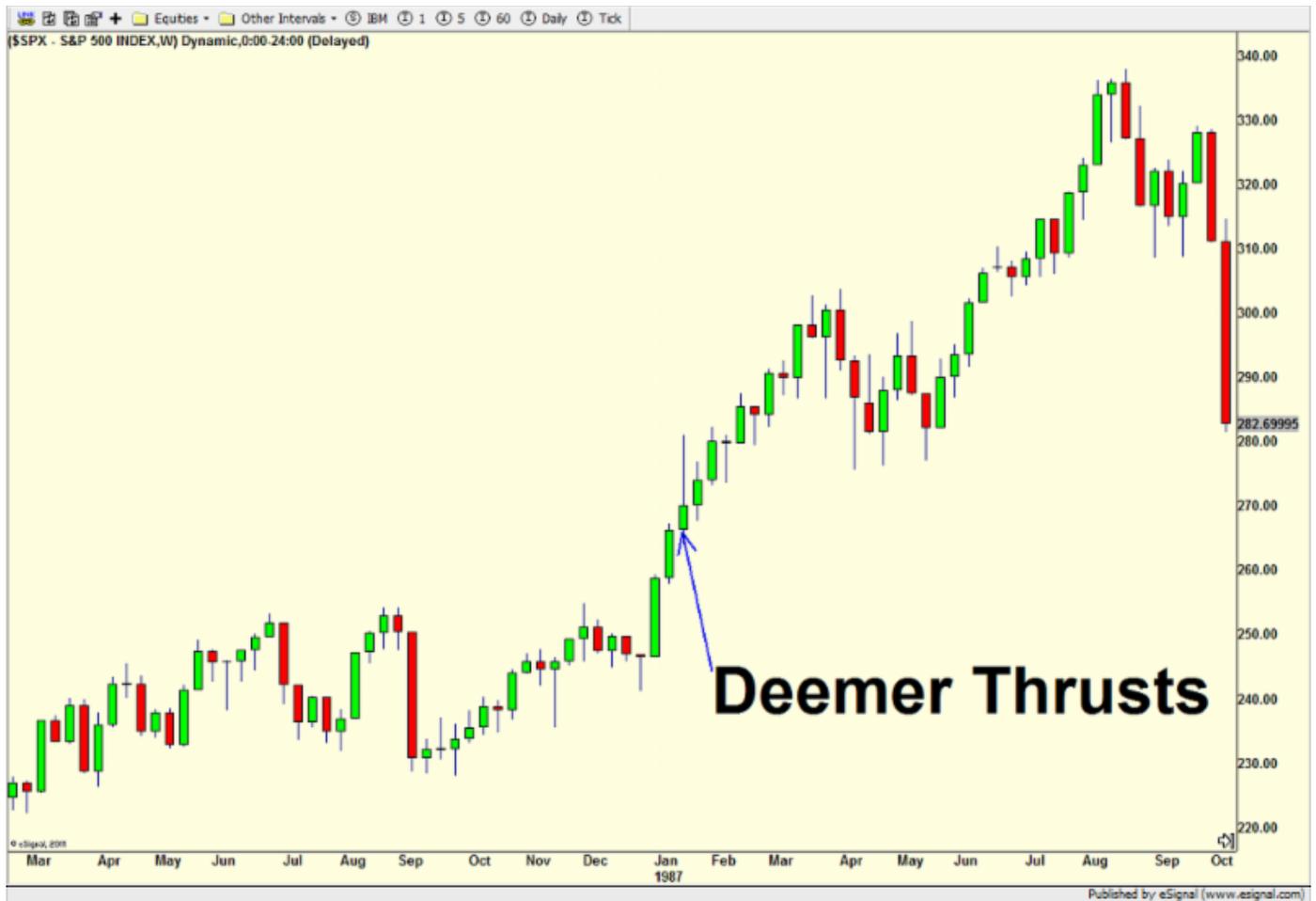
All of the examples are below in chronological order. First is 1982 when the Great Bull Market launched the same month as Mexico defaulted on their debt. Perfect signal.



1985 is next below and while 1984 was cyclical bear market, the Great Bull Market remained alive and ready to reassert itself. Another perfect signal.



1987 is below and that didn't fit in with the rest as the thrust came at fresh all-time highs. It was a bit of a head scratcher at the time, yet it still worked out very well with a 20%+ run. In hindsight, you can argue that it didn't have the longevity of the others, coming at new highs and lacking enough fuel.



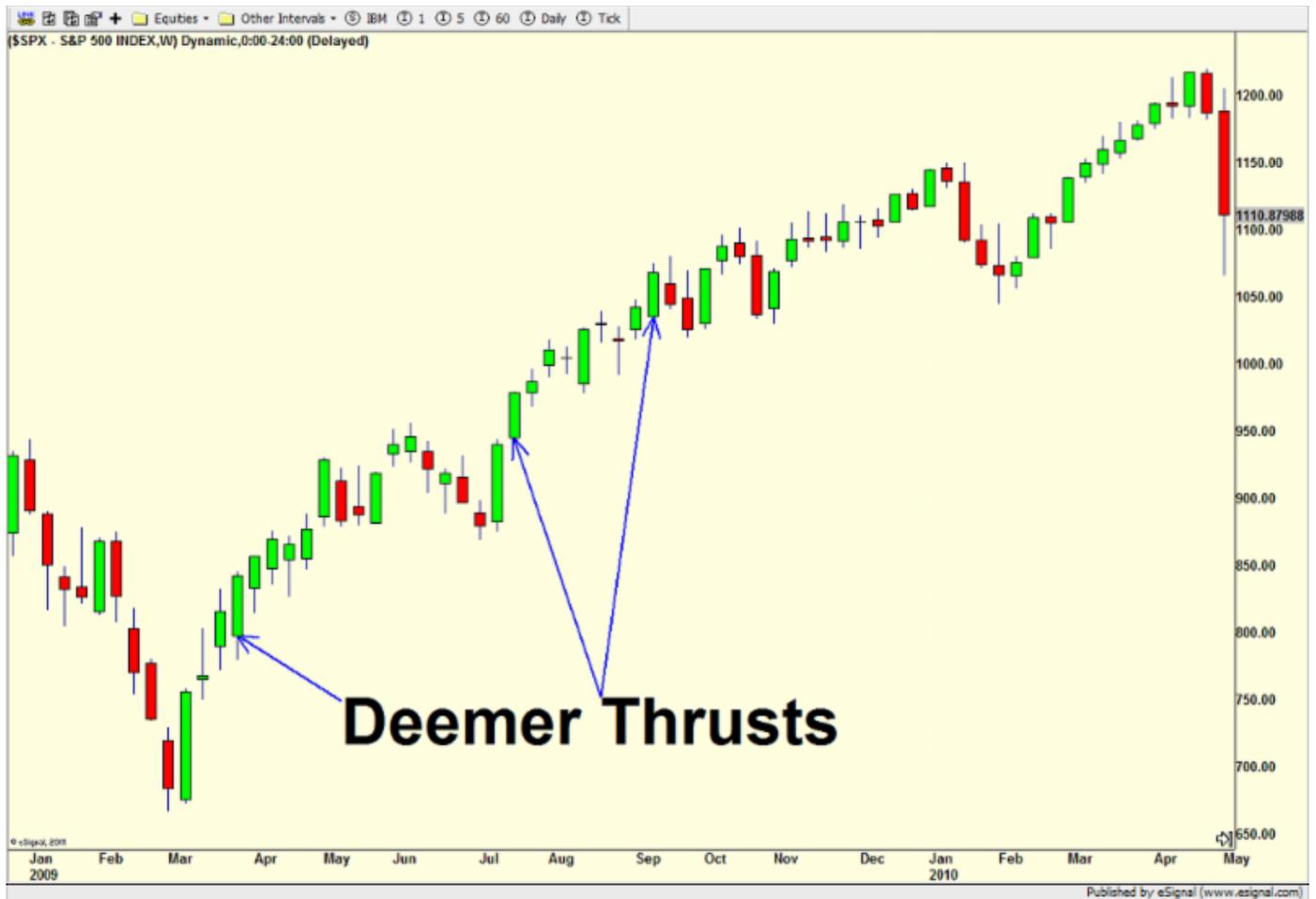
1991 is next after the Persian Gulf War and S&L crisis. I should have zoomed out the chart more as this thrust helped give the market fuel all the way to 1994 without much downside or pain.



1992 is below and that came without much downside, just a little post-election pullback. It took the market a while to really get going, but it also insulated stocks from anything more than a 5% pullback.



2009 epitomizes how this signal is supposed to work. After the most brutal bear market since the 1930s, the first thrust was very timely right at the beginning. That was confirmed and solidified by two more over the summer. Hard to argue with that success.



And now we have the current signal below which most resembles 1987. Interestingly, I have other independent analyses which compare the current market to late 1986 or early 1987. The stock market is currently in the midst of the first pullback since the thrust triggered and will be a good test for the signal.



The skeptic out there may argue that the market is much different today than it was during most of the thrusts. I agree. Some would argue that decimalization and removing the uptick rule rendered the thrusts less powerful than they used to be. I wouldn't disagree either, but even if all of that is true, how can anyone explain away the three thrusts seen in 2009 as the new bull market was launching. Perhaps these various thrusts may not be as easy as shooting fish in a barrel, but my view is that they still work and should be closely followed.

## Buy the Short-Term Dip

---

As I discussed above, the intermediate-term outlook remains positive. Long-term, my forecast has not changed to see Dow 19,000 and then 20,000 sooner than later. It's the same upside I first mentioned in 2010, however the window for that move was always off on the horizon. Today, that window is open. The rallies won't be as robust or as broad as we have seen, but they will be strong with many opportunities to make very good money. That's what investors should focus on.

The short-term has been a bit muddy of late. After not seeing even a 1% daily decline since June, stocks have been down more than 1% for two of the last three days. For the past few weeks, I have heard and read that people are waiting to buy the next pullback. Well, that pullback is here, yet those folks seem to have disappeared so much that I can hear crickets.

The late, great Bob Farrell from Merrill Lynch used to say that when people are waiting for weakness to buy, they either won't want to buy when it comes or shouldn't buy because the market changed. My sense is that investors with cash are in the former class right now.

I continue to believe that this pullback is yet another buying opportunity for a run to new highs. I don't believe it's the beginning of something big on the downside and I certainly don't believe that the bull market is over. Stocks got a little tired and are using the possibility of a Fed rate hike next Wednesday as reason to decline.

This issue is overly long already so I am going to limit this article to two charts and do a full canaries in the coal mine next week. The New York Stock Exchange Advance/Decline Line, an oldie but a goodie, is below which measures participation. It just made an all-time high this month which typically insulates stocks from serious downside and has never been seen at the beginning of a bear market.



High yield (junk) bonds are below and they are acutely sensitive to the smallest of ripples in the liquidity stream as well as the economy. As with the NYSE A/D Line above, they recently saw new highs. That strength is rarely seen at the end of a bull market.



Stocks may be pulling back and seeing higher volatility, but across all time frames, buying the dip is the right strategy until proven otherwise.

## The Poop on the Presidency

---

I am going repeat this comment again here and probably several more times this year. As far as the markets are concerned, it really doesn't matter who wins the election. In other words, the markets don't care if Hillary or Donald become the next president aside from a single digit move on the outcome or anticipated outcome.

The only caveat to that statement is if the Democrats sweep Congress as well. That's how ObamaCare was passed along with Dodd-Frank and higher taxes. You are certainly entitled to your own opinion on their merits, but the markets did not love them and I still argue that collectively, they significantly adversely impacted our economy ever since.

As I have said before, the elections that really matter globally are next year in France and Germany. The very existence of the Euro is at stake and possibly another crisis. I will have a lot more to say on this topic down the road.

Back to our election. After the DNC convention, Hillary mounted a 10%+ lead as Donald was putting both feet and hands in his mouth on a number of issues from the DNC convention including the Khan family. A little after, he fired his campaign manager for the second time and brought some media hired guns. He was in a precedent setting tailspin.

At that time, I offered that there were really only two paths for Trump to take. One, he was like a stock that crashed on bad earnings. He was about to take a breather to digest before heading to oblivion. On the other hand, as I believed, Trump had cratered to the bottom and had nowhere to go but up and right back into the race, something I think continues to happen into October.

If you want the simplest way to gauge who will win in November, just look at the stock market. If the decline continues on balance, it will definitely help Donald Trump. Should stocks bottom sooner than later and begin to rally, that helps Hillary Clinton. That's just not my opinion. That's a fact from history. While not infallible, the stock market has been 80% accurate in predicting presidential contests. 2004 was the glaring mistake.

Turning to the polls, I think you have to take them with a grain of salt for several reasons. First, as we learned with the BREXIT vote in the UK, polls were way off as technology replaces human and doesn't seem to have the same accuracy. Second, polls this far out are typically not accurate. Third, I believe that people won't admit to supporting Trump at this point. Fourth, it all boils down to the Electoral College and a few swing states are the only ones that really matter in November. And they matter more to Trump than Clinton as she can afford to lose one her and there. He almost needs a sweep. Florida, Iowa, Ohio, North Carolina, Nevada, Wisconsin, etc.

This race will be one for the history books on so many fronts. It's the classic insider versus the outsider. People blame Trump for many of our problems but I believe he is a symptom of the problem. Voters are fed up with the status quo. They are sick and tired. Trump struck a chord early on with the 40-70 white, male population who have been cast aside as our manufacturing base has been decimated. They like his demeanor and attacks and believes he will fight for them against the establishment, China, ISIS, etc. It also helps that he is not beholden to special interests. Clearly, they don't mind Trump's non-politically correct style where he contradicts previously views, makes things very personal and ventures into topics that previous candidates steered clear of. They also don't seem to care about his lack of tax return disclosure, corporate bankruptcies, Trump U lawsuits and other questionable behavior in his business life.

Clinton, on the other hand, is revered by party insiders. She has been running on her husband's record as well as that of Obama and has really been "in power" since 1992. She epitomizes the establishment and is broadly supported by women and minorities. Even the Republican elite is quietly supporting Hillary to ensure they keep their cushy posts and the balance of power within the establishment. Kind of like the devil you know.

I have often referred to her as the Teflon candidate as no matter what dirt is discovered, it just doesn't stick. Her followers along with most of the media don't seem to find fault with her questionable handling of Benghazi, unethical behavior with donations to her foundation and refusal to release transcripts of her speeches to Wall Street who paid her millions and she publicly bashes. The email scandal, perhaps more than anything else, typifies her broad reach of power. It seems like every week a new revelation comes out that just slides off. Anyone else involved to this degree with wiping servers, not disclosing subpoenaed documents and destroying property would have been indicted and likely in jail.

Both candidates are seriously flawed and it's not a stretch to say that if either side put up a better candidate, the race would not be close. By that, I opine that if Joe Biden was running, it would be a landslide. If Nikki Haley was the GOP nominee against Clinton, it would be all but over. Never before have we had two candidates with such over the top negatives in the polls. Unfortunately, one of them is going to be our next president.

## Investment Quotes/Adages To Live By

---

"In God we trust, all others bring data."

- The Elements of Statistical Learning

"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"

**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](http://www.InvestForTomorrow.com)**

Published by Paul Schatz. Copyright (C) 2008 Heritage Capital, LLC. All rights reserved.  
StreetSmarts is produced and distributed regularly via email by Paul Schatz of Heritage Capital, LLC  
1 Bradley Road, Suite 202 Woodbridge CT 06525 Phone (203) 389-3553 Fax (203) 389-3550 - [www.InvestForTomorrow.com](http://www.InvestForTomorrow.com)  
Heritage Capital, LLC is an independent RIA not associated with any financial institution. Data used in this publication is gathered from reliable sources, although completeness and accuracy cannot be guaranteed. Performance results do not take into account any tax consequences and are not predictive of future results. This publication does not give any specific investment advice, does not provide financial planning services, or consider any individual's financial situation, needs or goals. This publication may not be reproduced or retransmitted in whole or in part without the consent of the author, Paul Schatz.

#### Important Disclosure Information

Heritage Capital LLC ("Heritage") composite performance results represent time-weighted actual performance results for continuously managed Heritage accounts, which individual accounts Heritage believes to be representative of its investment management process (i.e. mutual funds and exchange traded funds) for each specific strategy during the corresponding time period. The composite performance results reflect the reinvestment of dividends and other account earnings, and are net of applicable account transaction and custodial charges, and the separate fees assessed directly by each unaffiliated mutual fund and exchange traded fund holding that comprised each account, and the maximum investment advisory fee that the accounts would have incurred (by applying the Heritage's current investment advisory fee of 2.00% as set forth in its current written disclosure statement) during the corresponding time periods.

Please Note: Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that future performance will be profitable, equal the performance results reflected, or equal any corresponding historical benchmark index. The historical index performance results for all historical benchmark indices do not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results. The historical performance results for all indices are provided exclusively for comparison purposes only, so as to provide general comparative information to assist an individual client or prospective client in determining whether the performance of a Heritage program meets, or continues to meet, his/her investment objective(s). A corresponding description of each index is available from Heritage upon request. It should not be assumed that Heritage account holdings will correspond directly to any such comparative benchmark index. The Heritage performance results do not reflect the impact of taxes.

For reasons including variances in the investment management fee incurred, market fluctuation, the date on which a client engaged Heritage's investment management services, and any account contributions or withdrawals, the performance of a specific Heritage client's account may have varied substantially from the indicated portfolio performance results.

In the event that there has been a change in a client's investment objectives or financial situation, he/she/it is encouraged to advise Heritage immediately. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments purchased and/or investment strategies devised or undertaken by Heritage) will be profitable.

Information pertaining to Heritage's advisory operations, services, and fees is set forth in Heritage's current disclosure statement, a copy of which is available from Heritage upon request. Performance results have been compiled solely by Heritage, are unaudited, and have not been independently verified. Heritage maintains all information supporting the performance results in accordance with regulatory requirements.