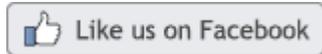




August 8, 2018

10:31 AM EST



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## Mice and Men

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This issue is going to be a bunch of shorter articles on various market topics in the news which I would normally share on [www.investfortomorrowblog.com](http://www.investfortomorrowblog.com). Since not everyone wants to receive notices about new postings on the blog, I thought it would be more beneficial to share them here.

July was a busy month for media interviews and you can view those segments below. The first is from Yahoo Finance where I usually join their live, midday show when I am in New York. I participate in the first half of the show before leaving to enjoy the amazing free lunch they offer all employees (and one interloper from CT).

<https://finance.yahoo.com/video/yahoo-finance-live-midday-movers-134000227.html>

The second segment is from when I joined FOX61's morning show in CT to discuss how the second half of 2018 was shaping up.

<https://www.youtube.com/watch?v=wWxYoAuGk7A&feature=youtu.be>

Finally, the last segment is when I joined my old friend, Charles Payne, on his Fox Business show where I emphatically offered my forecast for stocks.

<http://www.investfortomorrow.com/InMediaVideoFBN.asp?idfb=39>

With August here, the Schatz family is back together as all kids are home from camp and travel softball has ended. My daughter's team won some nice, big hardware along with some big failures. Celebrating was much more fun than failing!



The boys enjoyed their various camps and I even bumped into Santa Claus, literally in the middle of nowhere in Brookfield, CT.



This week is the first time we are all home together since late June. The clock is ticking until the first fight takes place. We tried to update the kids' bathroom while they were not all at home, but as you know, the best laid plans of mice and men often go awry. In this case, the tiling process took more than a week but we only planned for three days. Hopefully, by the end of the week we have working plumbing in there as having them in our bathroom has become very old, very quickly!

The family doesn't have much on the docket this month except maybe a few days trips as

school is less than a month away. The chainsaw (and my arms) are tired from all of the cutting and clearing this summer so maybe it will just be a relaxing month without much fanfare. Remember about those mice and men?

Please remember that while I haven't sent a full blown update in a while, I am always very active on the blog.

You can sign up to receive notifications when a new blog has been posted here.

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

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

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

## The Ides of August

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Let's start with a quick assessment of the month of August as well as the stock market which will be very similar to what I have been discussing on the blog. August has become the worst month for stocks regardless of whether it starts in a bull or bear market. Usually, each month has dramatically different results depending on whether stocks are in an uptrend or downtrend. August is an equal opportunity disappointment with history showing a modestly lower average return.

Since the Q1 correction ended, I have pounded the table at every juncture that fresh all-time highs were coming sooner than later. I said it on CNBC, FOX, local TV, Yahoo, Facebook and Twitter. I pushed back on everyone who opined that the bull market was over.

Bull markets do not end with the behavior we saw at the January peak nor with the action we are seeing right now. It would be a precedent setter if it happened which it didn't and won't. Almost every major indicator I follow said the January high was just a point in time to correct.

Since the Q1 bottom, the NASDAQ 100 saw fresh all-time highs in March, June and July with more on the way this month. The Russell 2000 saw all-time highs in May and June and seems poised for more this quarter. The S&P 400 saw blue skies in June and July with a fresh one as I type this. The S&P 500 is a whisker away. Only the Dow Industrial Average is a meaningful move away and that's just 1000 points or less than 4%.

Once again, and as has been the case for almost a decade, the bears have been flat out wrong. Their day will come, but not right now.

Regarding updating my forecast, there is nothing new to report. Three of the five major stock market indices hit all-time highs. The other two will follow. Dow 27,000 is next. After five straight closes above 27,000, Dow 30,000 will become the next target.

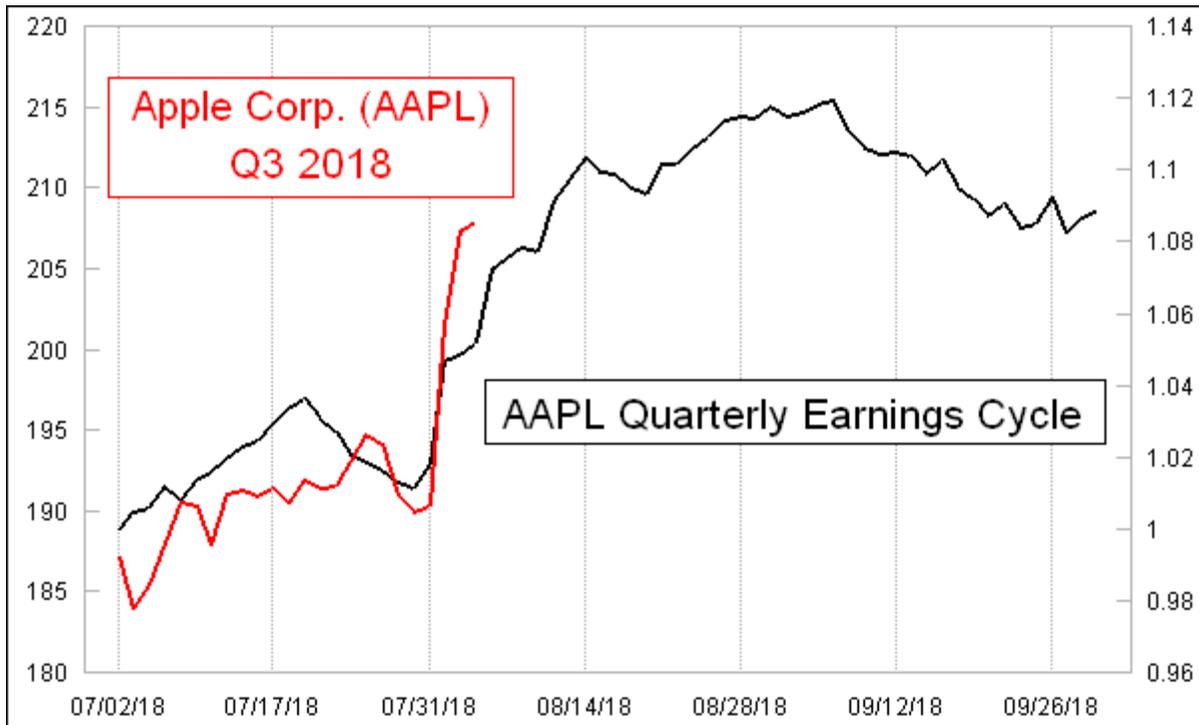
The shorter-term doesn't look as easy. A window of opportunity for a modest decline opened up a few weeks ago with the Dow around 25,200. All the market got was three straight down days which surprised me. I thought it was going to be a little more. Stocks look a little tired, but I don't think we see much of decline unless the market's foundation shows more cracks.

## **Beloved Apple - Ready to Turn Rotten?**

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Apple has certainly become the most beloved and widely owned stock among individual investors. It seems like everyone owns or loves the stock. Years ago in 2012, before it split, I became the most vocally negative pundit on the stock, forecasting a 30-50% decline. First, the media and others in the industry laughed and dismissed the call as the stock went from \$625 to \$675. Then they vilified me as it went from \$675 to \$700. At \$525 on the way down, it was billed as the greatest buying opportunity in years. When it broke \$500 some folks started worrying. Under \$400, the masses did lose faith and negativity was fairly widespread. Now that was a great buying opportunity!

While the sentiment surrounding Apple now isn't as ebulliently greedy as it was in 2012, it's getting close. I am not yet ready to forecast the big fall, but the stock is getting closer. My friend and newsletter writer extraordinaire, [Tom McClellan](#), published the really cool chart below which synthesizes Apple's price behavior on a quarterly basis.

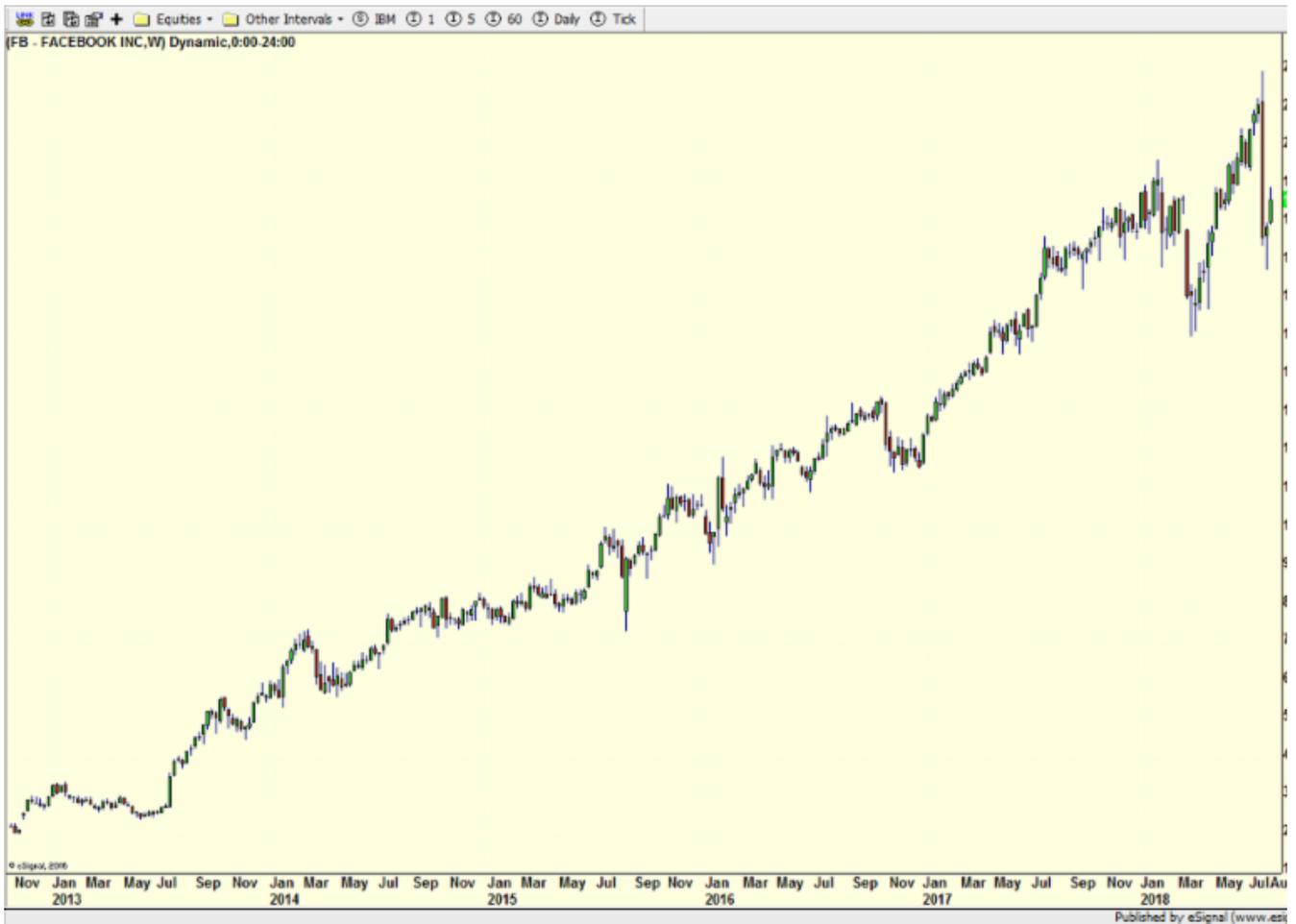


You can see the recent spike higher in red when earnings were announced and that fits in perfectly with historical behavior. If the future looks anything like the past, Apple should see its quarterly peak in late August to early September. Keep in mind; an overall market correction will almost certainly run right over this historical tendency just like it did in Q1 of this year.

## Facebook Just Saw Its Bull Market Peak

After writing about beloved tech giant, Apple, I thought I would keep it going and turn to another overly owned and loved FAANG stock, Facebook. As you know Facebook has had its share of triumphs, trials and tribulations since its infamous 2012 IPO, but mostly troubles this year with the personal information collection scandal at Cambridge Analytica.

For those who invested in Facebook at the opening price in 2012, you endured incredible pain as the stock plummeted by more than 50% right out of the gate. However, those who didn't panic (hard not to) were handsomely rewarded as the stock ran in almost straight line fashion to its 2018 all-time high above \$218 as you can see below.



Since Facebook's glorious peak where it could do no wrong and was well on the way to controlling the world, a funny thing happened. Users starting saying "enough is enough". They demanded privacy protection. I thought that was just an emotional response to the scandal and all would be fine in a few months.

Then came the release of Q2 earnings last month. All was definitely not fine as you can see below.



On the far right side of the chart you can see the long, vertical red line which I drew in. That's to show you how far the stock dropped from the close before earnings to the open after earnings were announced. It was U-G-L-Y!

The conference call with management revealed this was not an outlier or one off event. Facebook forecast that future growth would decelerate, just about the single worst thing possible for an overly owned and loved growth stock. That was bad.

Given the news and where I perceive stocks to be in the cycle, I think there is a very good chance that Facebook has seen its peak for possibly many years to come. I think the best case is that the bull market somehow lives on into 2020 and the stock can revisit its prior high above \$218 before peaking again. Worst case is that the market is in the early stages of revaluing the company and after this rally ends, the stock not only heads below the July low of \$166 but then below the 2018 low of \$149 in the next 6-12 months.

Yes, I am anything but positive on Facebook. It will take an awful to change my opinion. With the F (Facebook) and N (Netflix) in FAANG on the defensive, it puts much more pressure on Apple, Amazon and Google to lead and outperform. I had envisioned the FAANG stocks holding up until the bitter end of the bull market and find it hard to believe the bull market can easily live on without the group as a whole staying strong.

## Upcoming Appearances

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Yahoo Finance Midday Movers - August 14th at 11:45 am

WTNH's Good Morning CT at Nine - August 20th at 9:15 am

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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"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,



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