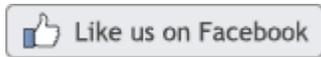




February 13, 2019

12:11 PM EST



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Busy Winter

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Unless I get trumped by Trump, I am scheduled to join my friend Charles Payne on Fox Business' Making Money on Wednesday at 2:20 pm. With stocks still rocketing higher from the epic Christmas low, I hope to be joined by some of the bearish pundits who were beating their chests about a new bear market and the Dow collapsing below 20,000.

I can't believe I am finishing this issue in mid-February when I began typing it last month. Before I hit the send button, I will update all of the charts which are a little stale by now.

I always say that life for the Schatz family is much slower in the winter and I get to catch up on things. But in reality, that's just not the case. Between indoor tennis, softball and baseball for the kids, UCONN basketball games and skiing, we're still running around crazy.

It's definitely been a different kind of UCONN basketball season with a new men's coach and the women showing that they are in fact human during the regular season. Nonetheless, it has still been great family fun, especially having my brother join the party this season. And nothing is better than spending time with the two kids who like hoops.



When Vermont skiing opened in October 2018 and the conditions were mid-season epic all the way to mid-December, I told my wife that I hope it wasn't the peak of the season. I eerily remembered the winter of 1994-1995 where the snow peaked in November and the rains came for all of January. Well, 2019 has been downright crummy for skiing in Vermont no matter what those borderline fraudulent snow reports say. This will be one of the lowest ski day seasons in ages for me. But that won't stop us from doing other things.

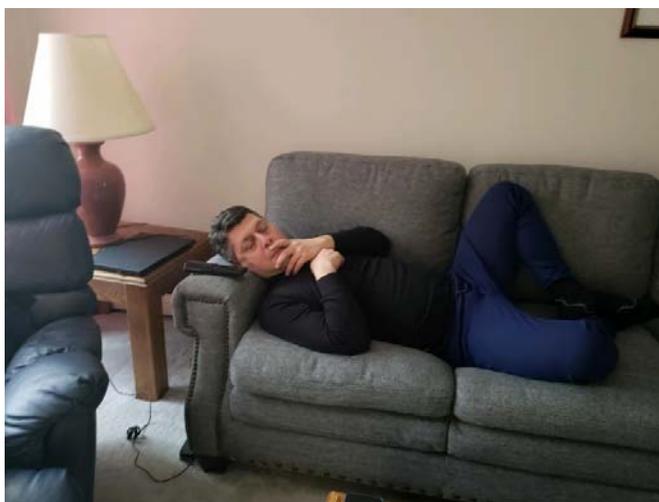
On one of the few true powder days in 2019, I almost lost the little guy in 18 inches of freshies. We had so much fun and got so exhausted, we needed (really me) our fill of kettle corn from Stew Leonards. That was all well and good until I broke a tooth eating a half-popped kernel and was lucky that my buddy could fix it on short notice. Don't worry, though, I did come back with my new crown and finish the bag.



As I said, great ski days have been few and far between so we have found other things to do. The little guy loves to go for beer and wings at The Saloon and then make big fires that last well into the night.



Between skiing at 7:30 am, eating a big lunch and making fires, this 52 year old has been known to focus on the inside of his eyelids for extended periods. I prefer to say that I was contemplating what I planned on writing about in my next issue of Street\$mart.



Finally, I will end this section with some clips from recent media hits on one of my favorite places, Yahoo Finance. Since the Christmas low, I have been unwavering in my take that stocks were heading higher, much higher. The bears had their chance and I hope they celebrated wildly.

<https://news.yahoo.com/semiconductor-gains-could-stocks-clear-160646661.html>

<https://finance.yahoo.com/video/bb-t-strikes-deal-buy-192250809.html>

<https://finance.yahoo.com/video/twitter-q4-earnings-beat-guidance-185410275.html>

As many of you know, I have gone to a quasi online calendar so you can book an appointment when you want to and not just when we're in the office or respond to your email. For now, I do not include evening meetings nor early morning ones, but I will try and accommodate as best I can.

If you would like to schedule a meeting, Skype, FaceTime or call, please click on the link below and give it a try. My calendar is now open through early March.

<https://schedulewithpaul.as.me/>

Don't forget about our blog, [www.investfortomorrowblog.com](http://www.investfortomorrowblog.com) for shorter-term analysis.

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

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

## Stocks Continue to Do Nothing Wrong - Bears Trampled

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The stock market continues to do very little wrong. Since the Christmas bottom it's been almost a mirror image of the relentless selling wave I mentioned so often for two months. In fact, as I wrote this, the stock market has just recovered 100% of the losses from that final, nasty sell off. Recall that the almost unprecedented wave was where stocks closed lower than where they opened for 10 straight days, likely not seen since the 1930s. Additionally, stocks closed in the lower half of their daily range all 10 of those days, which has not likely been seen since the 1930s although without intra-day for the 1970s, it is possible this behavior occurred then. The bottom line as I discussed many, many times, that was one heckuva selling wave in December.

Since the Christmas low, stocks have bounced very nicely in a complete reversal of behavior and even past the zone I first forecast on December 21. I recall being countered by other pundits that stocks wouldn't even see my zone by April. The selling was supposedly too widespread and damaging. So many pundits, analysts and members of the media were calling for a new bear market. While that final relentless selling wave saw mostly red days on the chart below, the rally since has been mostly green days, meaning that stocks have closed higher than where they opened.

Since the Christmas trough we saw two separate days where the percent of volume in advancing stocks was greater than 90%. That's very powerful and usually leads to extended stock market gains. Additionally, there were a number of "thrusts" seen which really means that the number of stocks going up over a certain time period completely and utterly overwhelmed the number of stocks going down. In other words, more confirmation that the Christmas bottom was a major one.

Finally, the pink line on the chart below represents the average price of the last 200 days, more popularly known as the 200 day moving average. It's a widely viewed way to define the long-term trend. Sometimes, because many managers act on this for some odd reason, price can bump up or down against it and then pause or move in the opposite direction for a spell. Computerized trading programs love to push markets around popularly watched areas like the 200 day moving average and force others to pile on.

I mention all this about the pink line because the S&P 500 just hit that area on Tuesday as you can see below. I would venture to guess that the computer algos had a hand in this. More than likely, stocks are about to either pause or mildly pullback 1-2%.

All of the aforementioned can be seen in the chart below.



## Yet More Confirmation of the Rally's Power & Sustainability

The next chart is one I first learned about from my good friend, Tom McClellan. Tom and I have known each other for 25 years and I always enjoy our email threads regarding research. Below you can see the the S&P 500 in the top chart and one of Tom's indicator's in the bottom which is called the McClellan Summation Index. How it is created doesn't matter, only that it's a measure of thrust and participation in rallies and declines.

What I want you to notice are times when it falls below -500, depicted by the lower blue horizontal line. That indicates widespread and steady selling for a period of time. Obviously, price normally follows suit. After becoming sufficiently oversold around -500, a rally will develop sooner or later. Once the rally gets going, the key is to get this indicator above +500. The higher the better. Essentially, doing so indicates an "all clear" or like a rocket ship, it has achieved escape velocity where it won't fall back to earth.

Nothing is foolproof. All of the models and indicators I use generally work the majority of the time. The more things that line up, the stronger the conviction I have. In this case, the indicator has rocketed all the way to +918, way above the +500 line in the sand. In the simplest terms according to this indicator, the rally is for real and here to stay.

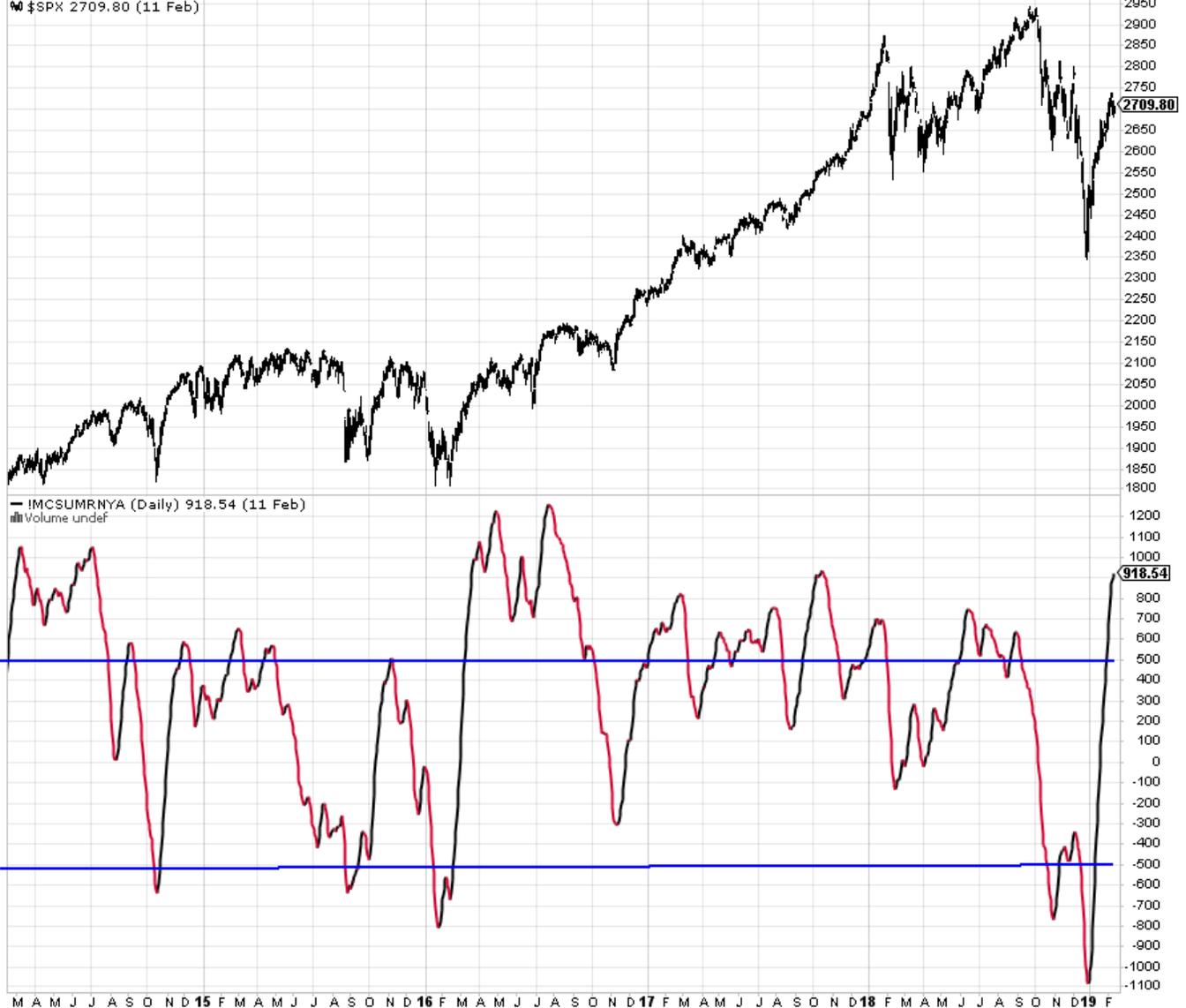
!MCSUMRNYA NYSE McClellan Summation Index (Ratio Adjusted) INDXX

11-Feb-2019

© StockCharts.com

Open 918.54 High 918.54 Low 918.54 Close 918.54 Chg +19.67 (+2.19%) ▲

\$SPX 2709.80 (11 Feb)



I am going to end this section with a follow up from some analysis I did in Q4 regarding the Volatility Index or VIX. Generally speaking when stocks go down, the Volatility Index goes up. Stock market pullbacks and corrections usually end when the the VIX either spikes to very high levels and reverses downward or makes a lower high when stocks make new lows (divergence or non-confirmation).

In late-December, I wrote about the chart below saying that one of the many "all-clear" signs for stocks will be when the VIX closes below the blue horizontal line, or roughly 16. That 16 level is nothing magical. I chose it because both Q4 rallies in November and December failed when the VIX fell to 16. Although it's now a late confirmation, volatility has certainly collapsed and is back in the previous range where rallies continued.



## Optimize Your Retirement Contributions for 2018 and 2019

Retirement account contribution limits are on the rise in 2019, with IRAs experiencing their first increase since 2013. The numbers below are the maximum amounts employees can contribute to their retirement plan. Remember to fully fund your account(s) for 2018 by April 15<sup>th</sup> and start funding your 2019 contributions as soon as possible to take advantage of compounding.

| Type of Retirement Plan                                                         | Maximum Annual Contributions                                                                                        |              |                                                                                                                     |              |
|---------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------------|--------------|
|                                                                                 | 2018                                                                                                                |              | 2019                                                                                                                |              |
|                                                                                 | Under Age 50                                                                                                        | 50 and Older | Under Age 50                                                                                                        | 50 and Older |
| <b>Individual Retirement Plans*</b>                                             |                                                                                                                     |              |                                                                                                                     |              |
| Traditional, Non-Deductible and Roth IRA                                        | \$5,500                                                                                                             | \$6,500      | \$6,000                                                                                                             | \$7,000      |
| <b>Employer-Sponsored Retirement Plans</b>                                      |                                                                                                                     |              |                                                                                                                     |              |
| 401(k), Roth 401(k), 403(b), 457 and SARSEP Plans – Employee contribution       | \$18,500                                                                                                            | \$24,500     | \$19,000                                                                                                            | \$25,000     |
| SEP (Simplified Employee Pension) IRA                                           | Employer contribution - 25% of compensation up to \$55,000<br>Employee contribution up to \$5,500 (\$6,500 over 50) |              | Employer contribution - 25% of compensation up to \$56,000<br>Employee contribution up to \$6,000 (\$7,000 over 50) |              |
| <b>Small Business or Self-Employed Retirement Plans</b>                         |                                                                                                                     |              |                                                                                                                     |              |
|                                                                                 | Salary deferral of 20-25% of compensation, plus                                                                     |              |                                                                                                                     |              |
| Self-Employed 401k (a.k.a., Solo-401k, Individual 401k, Roth 401k)              | \$18,500                                                                                                            | \$24,500     | \$19,000                                                                                                            | \$25,000     |
|                                                                                 | up to a combined maximum of \$55,000 (\$61,000 over 50)                                                             |              | up to a combined maximum of \$56,000 (\$62,000 over 50)                                                             |              |
| SIMPLE (Savings Incentive Match Plan for Employees) IRA - Employee contribution | \$12,500                                                                                                            | \$15,500     | \$13,000                                                                                                            | \$16,000     |

*\*The income limit for taking a full deduction for contributions to a traditional IRA while participating in a workplace retirement increases to \$64,000 for singles, and \$103,000 for married filing jointly or qualifying widow(er) in 2019. The deduction completely phases out when income goes above \$74,000 for singles and \$123,000 for married filing jointly or qualifying widow(er). 2019 income limits for full contributions to Roth IRAs are \$122,000 single, head of household, or married filing separately IF you didn't live with your spouse during the year, phasing out completely at \$137,000. Married filing jointly or qualifying widow or widower can make full contributions if their income is below \$193,000. Partial contributions phase out completely once income exceeds \$203,000.*

The start of the year is also a good time to check and make certain your beneficiary designations are correct. Beneficiary designations spell out who-or what trust-is going to inherit the retirement account when the account holder dies. These designations take precedence over any provisions made in the will.

## Upcoming Appearances

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Fox Business' Making Money - February 13th at 2: 20 pm & 2: 40 pm

WTIC' (Fox61 in CT) Morning News - March 5th at 9:20 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."  
- W. Edwards Deming

"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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