Just as I finished this update, news is breaking about yet another hedge fund blowing up. I know. I know. You're shocked. Seriously, when we look back over the years and decades, which firms blow up? Well, there was Drexel in 1990 and Paine Webber in 1994. Barings in 1995. Long-Term Capital in 1998. Amaranth in 2006. Bear Sterns in 2007 AND 2008. Lehman and Madoff in 2008. The list goes on.

Go through almost every disaster and two things are in common. First, the firm used insane amounts of borrowed money or leverage. Remember when the SEC allowed 5 investment banks to run 40:1 leading up to 2008?

Second, there is a backdrop of greed and euphoria where irresponsible behavior is almost lauded. The public envies those swashbucklers and the media treats them as masters of the universe.

In what little I know so far, this hedge fund/family office had multiple prime brokerage accounts all over Wall Street and they were able to hide their true position sizes in a handful of media stocks through the use of SWAPs. As some of you know, SWAPs do not have disclosure requirements and can use big leverage.

This is more than just a stock cowboy with a few bad picks or getting a small margin call. This is grossly irresponsible on multiple levels from more than just one firm.

The new SEC and Congress must be foaming at the mouth for a piece of this debacle. It's always those few bad apples who screw it up for the masses and give the industry its deserved bad rap.

Before I introduce today's video, let me make some very brief comments about the stock market. Stocks are behaving well, overall, with four out of five of the major indices poised to score fresh, all-time highs next month. Only the NASDAQ 100 continues to have some underlying issues as I have been discussing all year. My next target of Dow 36,000 seems in reach this year.

While I usually reserve very short-term comments for the blog, Friday's last 60 minutes of trading smacked of a few portfolio games. Check out the chart below past the 15:00 mark which is 3:00pm EDT. Stocks were trading in a nice range all day before someone lit a fuse under the market. Whether it was short-covering ahead of the weekend or index rebalances or something else, it was certainly "curious" to watch. Supporting my claim is the fact that the TICK indicator which is a good signal for widespread computer activity barely got above +1000. That makes me suspicious that it was a narrow group of stocks with the most bang for the buck.

Curious moves are usually corrected the very next session, oftentimes right at the open. In this case, I expect to see market weakness at the open and perhaps longer of 0.50% to 1% although I do not believe we saw any kind of peak of significance at Friday's close.

With that, let's turn to today's video which mostly focuses on the COVID Crash from March 2020. I thought it was interesting to look back with the benefit of hindsight and not revise history as so many pundits like to do after being embarrassingly wrong.

Feel free to click on the link below to watch.

https://youtu.be/cB1uuHpmQZc

As always, please don't hesitate to call, email or Skype with any questions, comments or concerns.

If you are looking to schedule a call, Skype or Zoom meeting, here is the link to my calendar. **https://schedulewithpaul.as.me/**

Early mornings, evenings and weekends should be scheduled directly with me.

Thanks

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

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.