



## Stock Market Barometer

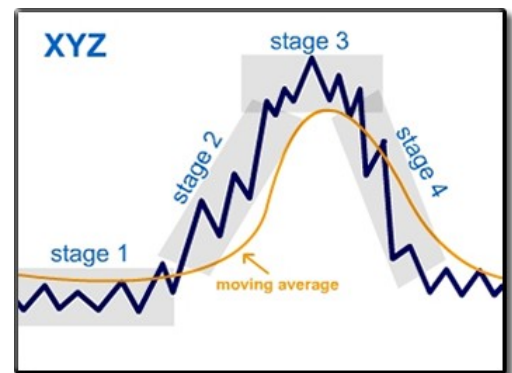
The Most Influential Financial Newsletter Read By Over 500 Hedge Fund Managers and Thousands of Elite Investors ~ March 2, 2015



**TREND ALERT** — Only buy US stocks now if you have a short-term game plan. Do not invest into market rips and aged bull markets making stage three tops!

## Investing Versus Gambling —(03/02/2015)

There are no stock picks in this monthly newsletter and this is going to be short, because I sent out a Power Investor member's only update Sunday morning with ten of my top stock picks. If you are a Power Investor member make sure you do not miss this report.



These are not picks for short-term momentum plays, but are ones that I believe can be bought and held for several years. They are at cheap valuations in a sector that is making a transition into a new bull market. And they are not being recommended on CNBC or on "Fast Money."

The truth is I cannot recommend most US stocks to you right now for investment positioning, because as a whole the US stock market is overvalued and has been going up now for six years. The more a market goes up and the longer it goes up the more people want to get in it. The masses in the market chase stocks. They love to buy AFTER something has gone up. But this is not how real money is made. They are gambling.

I like to take investment positions in stocks and ETF's when they come out of a stage one base or are very early in a stage two bull market. You simply cannot do this now in the US stock market, which I believe is in a stage three top.

# STRATEGIC STOCK TRADING

Master Personal Finance Using Wallstreetwindow Stock Investing Strategies With Stock Market Technical Analysis

97.54	98.88	95.72	94.54	98.65	98.65
54.63	54.84	84.54	54.63	98.65	54.63
51.85	98.48	98.65	91.85	54.68	95.48
785.32	96.54	54.64	91.85	95.48	96.54
34.36	05.02	95.48	785.32	96.54	05.02
03.32	15.95	96.54	54.36	82.84	15.95
84.54	156.10	05.32	05.32	75.15	156.10
98.65	181.82	84.54	84.54	36.54	151.82
98.65	98.65	98.65	98.65	98.65	98.65

**MICHAEL SWANSON**

Now you can do short-term trading during a stage three top and momentum type trading, but if you do this you must understand that you are not looking to buy and hold for a long time, but are instead playing momentum. You cannot confuse trading with investing. If you have a plan on how you get in trades and are willing to take profits when you have them then you can make money as a momentum trader and from time to time I can find some momentum trades for you. But you cannot confuse this with buy and hold investing or convince yourself that taking new general investment positions in the US stock market makes sense.

And I'm not the only person saying this. This weekend Warren Buffett released his annual Berkshire Hathaway report. He has a lot of cash to invest right now and put out a call in this report for people to approach him with business opportunities to invest in.

He said if you have a company making over \$75 million a year with a good balance sheet and stable business then give him a price offer and he might consider it.

However he also said if your company is trading on the US stock market to don't even bother. Buffett will never get negative on the US stock market, but what is fascinating is here is Buffett with all of this cash on hand and he is not deploying it into the US stock market, but is looking for opportunities outside of it. He is not throwing all his money at the US stock market willy nilly like most people are doing right now.

The masses are chasing stocks and they have built up for themselves record margin debt. All they care about is price. Right now the top sector in the market for the moment are the biotech stocks, many of which have no earnings and are bought on the mere hope that they will develop a new wonder drug.

There is a biotech stock that I shorted years ago when it went up on claims that it was researching a vaccine for AIDS. It was a hoax. Today this stock is going up again and has achieved a 2 billion dollar market cap on claims that it is developing a cure for dementia. The company makes zero profit. You can make money playing momentum in stocks like this as long you get out before they crash. But I am sure there are many people buying this one that have no idea about the company's history and do not even care. All they care about is that the US stock market is going up and they feel a need to buy something.

The biggest mistake people make in the financial markets is to dedicate their entire financial lives to one market. Most bulls and bears do this. But real investing means spreading out in a mix of asset classes.

Most US stock market bulls own nothing but investments linked to the US stock market and US bonds and think they are diversified when they are not.

At the same time most people who do not like the US stock market put all of their money on one bet, such as investing in gold or trying to short the US stock market and make the same mistake.

This may work for a period of time. It can work for years, but it always catches up with people in the end. Instead of putting their money to work with real investment principles they are more than happy to gamble their financial lives on the hopes that one market will go up forever or one trend will last forever.

If you have suffered in the 2008 stock market crash you should never put yourself in a position to suffer again. All you need to do is diversify into a mix of asset classes.

Read Mebane Faber's book on the Ivy Portfolio. Read books by the man who runs the most successful institutional investment house in the world, which is the Yale endowment and step back and think about what you are doing. I am talking about David Swenson.

Read my January issue of this newsletter where I showed you a simple money management system that enables you to invest in a mix of asset classes so that you will barely lose anything when the market drops and make more in the long run. You can find it here:

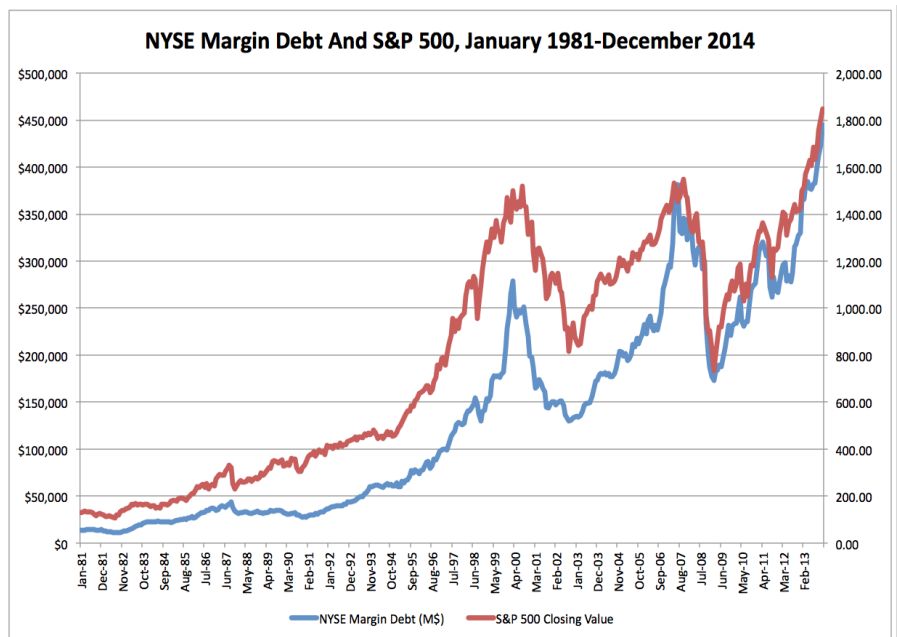
<http://wallstreetwindow.com/wswmonthly/wswmonthly01012015.pdf>

There are no new picks for you in this newsletter. One reason is because my new best picks are in my Power Investor update for Sunday. Another reason though is because right now what you need most in the market is not new picks, but you need to step back and make sure you are in a position to survive and thrive no matter what happens to the US stock market.

It is going up now six years after the bottom so the memory of 2008 is a distant memory for you. Everyone is complacent and excited about the market and no one cares about the risks they are taking in it. Look at the chart of the margin debt on this page! It's crazy!

As long as people are willing to chase momentum and pay any price for stocks the market can go up. And as long as some are willing to continue to borrow more and more money to buy more and more stocks the market can continue to go up. But the moment one of these two things ends this market will turn lower and fall for a long time.

If you would have put 1/3 of your money in the S&P 500, 1/3 in bonds, and



1/3 in gold in 2007 and rebalanced those positions on a monthly or weekly basis though you would have barely lost anything in 2008 and have beaten the market averages and just about every single fund manager in the past eight years.

It is such a simple way to make money that anyone can do it. And I believe that going forward gold is something that everyone must own.

Yes I am bullish on gold. I believe gold and mining stocks are going to go up from here and go up no matter what the stock market does. This is the next new bull market to watch for and be a part of.

But if we enter a situation in the coming years where US bonds go down in value then gold will be something that people will HAVE to own in order to continue to thrive in the financial markets. And one day these near zero rates for US Treasury bonds will come to an end and bonds will no longer be able to serve as a safe haven diversification for people. Gold ownership will then become a necessity.

So in this monthly newsletter I am pleading with you to take your investing seriously and how you are allocating your money and to stop being complacent just because the stock market has gone up the past few weeks. This is not time to stop learning and to become lazy.

I also am telling you that owning some gold as an asset in your investment accounts makes sense. A rebalanced gold ownership position would have boosted your investment return over the past fifteen years and it will continue to do so.

If you are curious this week not only did Warren Buffett release an annual report, but so did David Swenson. He has reduced the Yale endowments investment position to the US stock market to a mere 3.9% of its assets. In 2010 it was at 7%. And it now has 8.2% of its assets devoted to natural resource investments and has increased its exposure to foreign stocks all of the way up to 11.5%. It was at 9.9% in 2010. So the most successful endowment fund in the world now owns barely anything solely devoted to the US stock market.

And the masses have done the opposite to the point where they are BORROWING RECORDS OF AMOUNTS OF MONEY to increase their ownership of US stocks. Instead of investing their money wisely they are essentially gambling themselves up in a margin pyramid. They are in the market for the action and nothing more.

If you are curious you can read the Yale endowment's annual report here:

[http://investments.yale.edu/images/documents/Yale\\_Endowment\\_14.pdf](http://investments.yale.edu/images/documents/Yale_Endowment_14.pdf)



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