



## Stock Market Barometer

*The Most Influential Financial Newsletter Read By Over 500 Hedge Fund Managers and Thousands of Elite Investors ~ October 1, 2012*



## Don't Take Your Eye off the Ball –Mike Swanson

Don't take your eye off the ball. I want you to remember that phrase, because by the end of this newsletter I want you to know exactly what I mean by it. You don't yet. But once you do you will realize exactly what you need to do over the next few months to make big money in the stock market over the next few years.

### Quote of the month:

**"I AM THE PRESIDENT! I AM THE PRESIDENT!"** - Barak Obama explaining why he should be re-elected, and actually giving the reason most people will vote for him.

Before we get to that I need to make a quick announcement. I am going to start to do a live mastermind webinar every single month for premium WSW Power Investor members. Will probably do the first one this Thursday. If you are a premium member you will be able to pop in and ask me any question you want during these webinars and we will use them together to look through stocks and sectors to find new opportunities and to analyze what is happening in the stock market. I also got an even bigger way to help Power Investor members one-on-one that I am setting up too.

My goal is to turn the Power Investor Service into a high level Inner Circle coaching and mastermind program where we all get together and really help each other. It is my way of trying to deliver above and beyond what others do. Most people just feed people stock picks no matter whether they own them or not, because people crave picks and a whole industry has developed to sell them what they desire. But people like fatty foods too.

What is worse some people are actually paid to tout stocks that people are paying for! It's crap.

By showing the whole world my open portfolio and real moves I am already providing more than people are

# STRATEGIC STOCK TRADING

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**MICHAEL SWANSON**

paying for in stock picking services. My goal is to over deliver even more by making upgrades to the Power Investor Service. I plan to set an even bigger bar for others to try to beat. If you are a Power Investor member expect to get an email for the webinar this week. If you aren't a member I'll probably open it up to some new people later this month. Last time we did was back around New Years.

So anyway, keep your eye on the ball. If I were to write down everything you need to know to make money in the stock market right now on a napkin it would say something like that this: - "Identify a few sectors that have just started a bull market and wait for them to pullback, buy them, turn everything off and come back two years later and collect your winnings."

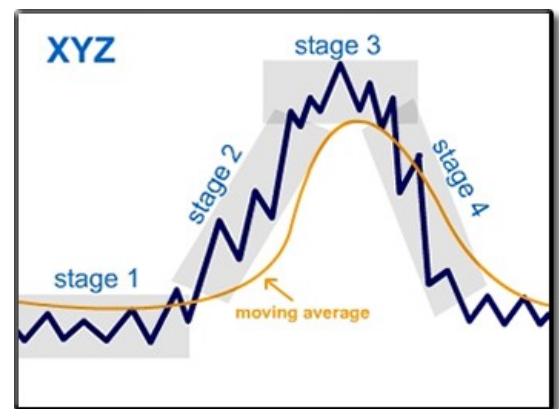
Got that? Now let me explain a little more in detail. How do you find those sectors? Well right now it's easy. We have seen a big rally in markets all over the world in the past two months. Several markets have broken out of stage one basing phases and into stage two bull markets that will likely last for several years. They are likely to pullback at some point in October and November to provide a final great investment point to buy and hold.

They may in fact be starting to pullback right now, as we have seen some profit taking in most world markets last week. Many appear to be in a position to drop just a little more and/or go sideways for several weeks. What I am doing is simply waiting for a sideways pause that lasts for a few weeks to add to my positions. That's all I'm doing at the moment. I am holding what I got and looking to buy more by waiting for the next dip to start and consolidation phase to play out.

The individual world markets, sectors, and stocks that hold up the best on a dip after going up the most in August and September, will likely go up the most into an end of the year rally and beyond. So I need to really let things play out a little more in order to get a better idea of what I'll be buying. At the moment it is really a little too early for me to be sure.

I started buying in new bull sectors at the beginning of August and added on in September. In the last 30 days alone I'm up over 11% - that's after making about 3.5% in August. In the past two months the S&P 500 has gone up about 4.5% while my return has been about 14.5%. Yes you can beat the market. You do it by investing in the strongest sectors and markets in the world.

Well in the past two months the price of gold has gone up 9.8% while the GDX gold stock index has gone up 25%. Ok now if you look at the ETF's



you can use to invest in other countries here is what they have done since the beginning of August:

GREK (Greece)	+ 34%
EWP (Spain)	+ 20%
EWI (Italy)	+14%
EWG (Germany)	+11.73%
EWT (Thailand)	+9.86%
EWK (Belgium)	+ 9.79%
EIS (Israel)	+9.34%
EWO (Austria)	+ 9%
RSX (Russia)	+8.92%

Notice that Greece is at the top of the list! So is Spain and Italy. These are the European markets the CNBC talking heads have told you to stay away from while people like Dave Skarica and I have told you to invest in them. For disclaimer purposes I own GREK, EWK, EWO, and RSX and bought most of them back in August. I don't own EWP and EWI, but would like to buy them on a pullback.

The markets that have done the best are the ones that have, and still do for that matter, the cheapest valuations in regards to their cyclically adjusted P/Es and also were starting new bull markets by coming out of stage one bases. In my view these markets WILL CONTINUE to do the best over the next few years, because normally markets that start bull markets from a low valuation point go up the most for the next half a decade.

Ok. This is what I mean by keeping your eye on the ball. Keep your focus on the markets that are just starting new bull markets now with the aim of holding on to your investments if you are already in them or to buy into them once they do pullback and pause for a big entry point. You see in bull markets you normally get a big move for 1-3 months as they start and then a consolidation phase that lasts 3-6 weeks and provides a final great investment point before they take off again and rally for what is typically a straight up move that usually lasts about six months.

If you have paid attention to the US stock market over the years, you lived through this type of market action before, the last time being in 2009 after the US stock market bottomed. It rallied and then paused in the summer for a few weeks before breaking out again. I remember it well, because I missed the bottom and then bought in during that pause. So the next few weeks are going to be critical for both you and I in managing our money and putting on long-term investment positions.

I think something like this is going to happen to markets all over



the world, including gold, silver, and commodities. You have to prepare yourself now to take advantage of it if it does happen.

Like I said. You could sit here and watch and wait for that dip. Then buy. And then TURN off your computer and not look at the financial news or anything for six months and then you'd probably be shocked at the money you made. You'd probably be better off to do that than to keep watching things like a hawk.

But I know you probably can't do that even though it is probably the best advice I can give you. Very few people who are reading this monthly newsletter will be able to wait and buy on a dip and then hold. I know from my own lifetime experiences how tough it can be.

I also know because I had been talking about investing in Greece and in Europe for several months and then once I finally did it almost no one else did it too. The news about it was so bad on TV that people couldn't go against what the TV people were saying.

Most are still too scared to do anything when it comes to Europe. Now people do feel more comfortable investing in gold and commodities, because they are more familiar with doing that and a lot of people have had experience doing it. Even James Cramer was hot on mining stocks a few years ago.

I also know it is hard for people to do this, because I'm basically saying you only have to make a few decisions in the market and just stick

with them. I'm saying you don't need to watch to see what happens in the stock market every week, much less every day or every hour. In fact doing so will make it difficult for you to keep your eye on the ball, because if you watch everything all the time instead of investing with the idea of holding you'll probably end up getting scared by some short-term gyrations in the market or some talking head and sell out of your positions in fear.

If you are a hedge fund manager or a professional money manager, and I know a lot of people reading this are, then you'll even have a more difficult time buying and holding as an investor than the smaller investor you may look down on does, because you have to obsess over monthly and quarterly performance statements that you send out to your clients. You are part of a system that discourages you from investing in value and investing at all. You have been trained to trade in and out of the market to try to generate positive monthly results, when in reality what happens in an account on any single day or any single month really shouldn't matter in the long-run.

It doesn't matter if you INVEST in the right things and hold for several years what happens this week.

This is the advantage that an individual investor can have over the professional, but few individual investors take advantage of it.

The reason is simple: human nature makes it difficult for someone to look down long enough to bend over and pick up the ball, because people are scared 99% of the time and jump at the sound of anything. They seek constant reassurance and grope after certainty that can never be had. This is why people join cults and believe in leaders like Obama and Romney. Even if neither candidates will do anything to make their lives better the masses will CONVINCED THEMSELVES that the election of one or the other will make a difference to them, because THEY HAVE TO BELIEVE IN A LEADER. So they don't care who the Republican candidate or the Democrat candidate is they just pick one and obey.

I say believe in yourself. But people don't, because they don't want to take responsibility for their own results or their life. So what happens in the stock market is everyday they turn on the TV or read the Wall Street Journal, or whatever, in hopes of seeing something that will confirm to them that they are doing the right thing. If they are invested they want to see the market up on that day. They want to hear someone tell them they are positioned right.

But of course things do not go up every single day. Even in bull markets there are down days, and we have seen a few this past week. Those times cause the person to stress and doubt that they are positioned correctly. The more and more they look at things the more they worry and the gyrations drive them crazy. They can't take the pressure anymore so they sell out of their positions to get rid of it. Then once the next rally starts they sit there angry at themselves as things go up without

them. It's a vicious cycle caused by the need to watch things everyday for confirmation of being right. It is human nature to crave certainty. People will believe in anything that offers it to them, like the bogus Elliot Wave theory, and people in the stock market search for it by seeing what the financial news of the day is. Well, what happens on any given day in the market DOES NOT MATTER ONE BIT!!!! All that matters is being invested in the right stuff! All you need to do is know how to identify when a new bull market starts. Then all you have to do is keep your eye on the ball. That means buying dips and holding what you have until the bull market is clearly over. And right now there is no sign at all that the new bull markets that started all over the world two months ago have come to an end. In fact since they just started its logical to assume that they will last at least another year, and more likely for several years.

All you need to do is focus on that to beat the market. That's what I'm doing and will keep talking about with you and showing you this month. I probably will be buying more this month or in November and I will let you know when I do. And if you are in the Power Investor Service we will talk about this all together and look for more individual stocks and potential ETF's to invest in. So just remember what we wrote down on that napkin! This is the time to get ready to buy to invest and hold.

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