

Interim Market Update



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HOLD YOUR HORSES (STAY THE COURSE)

It is very tempting to take our profits and go to money market funds just as we did in the fall of 2008 when the long government bond was selling at a yield of 3.25% (as this is being written, it's trading at 3.66%), but it would be the wrong thing to do right now. There will be a time, but again, not now. Why?

- 1. Although the short sellers have been forced out, the speculators have yet to go long. This will happen in time.**
- 2. Although deflation is being more and more discussed, the consensus still prefers stocks and believes we are in a normal economic recovery. This will change in time.**
- 3. Before long most market participants will come to understand we have never recovered, but remain in an ongoing repeat of the 2000s' version of the 1930s.**
- 4. A huge segment of the marketplace still believes the Fed can solve all of our problems, when, in fact, they *are* the problem.**
- 5. It is no longer business as usual. Current research has found out that the propping up of the economy through fiscal policy (i.e. government spending) has *no multiplier effect*. It merely reduces the size of the private sector. The private sector is the adult in this game.**

We could go on, but we hope you get the point. There will be backups which will make us temporarily feel that we should have sold, but a possible 2% handle (yield) means that we have 30-40% yet to be made. In all probability, we will sell before it gets to 2% - as you know, all the pigs end up in the slaughter house.



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