

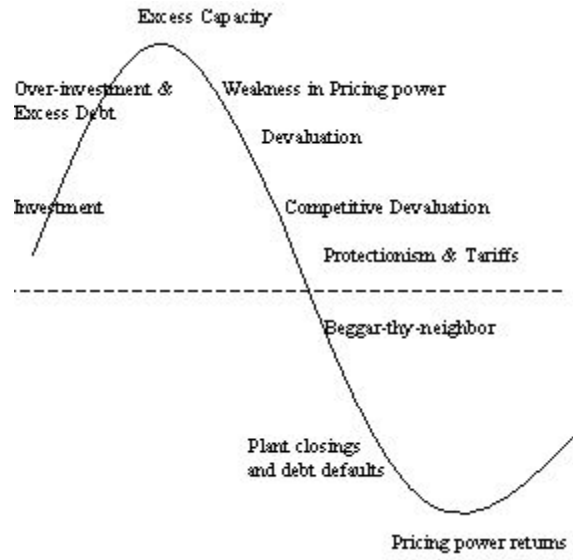
SELL ONE AND BUY THE OTHER

WEB BUZZ 2011.09.26

We have had to date the best rally in government bonds since the last half of 2008. That being the case the inclination is to sell and capture the large profits being handed to us by the market. Also adding to the pressure to sell is the fact that in 2009 after the fine gain of 2008 we gave most of it back. That experience tells us to not let that happen to us again. Well, you know what? It is just that comparison which behavioral economists call framing that creates mistakes.

Why? Both the timing of the economic cycle and the condition of the financial community is now much different. The recession we expected last year is already baked in the pie and most importantly the worldwide financial industry is darn near insolvent. Europe is close to blowing up and China gets worse by the day. Debt is the problem and with deflation on its way its payment is becoming more difficult by the moment.

Markets will be volatile. Rallies in stocks and declines in government bonds are sure to happen over the next several months. Our advice to one and all: sell the stocks on rallies and buy the governments in dips.



Adapted from prudentinvestor.com