



Stock Market Barometer

The Most Influential Financial Newsletter Read By Over 500 Hedge Fund Managers and Thousands of Elite Investors ~ July 5, 2011



Quote of the month:

“We must return to independent and sensible monetary policies... otherwise we will be back to where we are now in 10 years time” - President Merkel, Germany

STRATEGIC STOCK TRADING

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MICHAEL SWANSON

How to Get Rich—Mike Swanson

Don't let your daughter become a whore. Someone just sent me something shocking this morning. It was an email with a link to an escort website with a friend's daughter right on the home page. I couldn't believe it. Seems she thinks that that is a way to make easy money in this economy. Six months ago she was working as a waitress.

The area I live in is depressed with over a ten percent unemployment rate. Dan River Mills, a textile plant that once employed over 10,000 people during World War II, was once the area's biggest employer, but shut its doors before the great recession hit the United States. I know many people who are unemployed and even more on the margins of poverty who have been forced to budget their money more carefully due to higher gas prices.

Some people are desperate and doing desperate

things. Petty crimes and robberies are on the rise and there are some places that are no longer safe to go to.

Yes corporate profits are up by almost half since 2009. Banks are once again making a killing. The average CEO made nine million dollars last year, which is almost a quarter more of what they made in 2008.

But the average person has not felt this recovery. Unemployment across the country is 9.1% and the average workers' hourly wage is 1.6% lower than it was a year ago. The standard of living of the average American is in decline - especially when you consider inflation.

Economists say the recession ended two years ago, but according to a USA Today poll 55% of American's believe the country is still in a recession.

And the government has done very little to help things. The Federal Reserve and Congress did bail out Wall Street by giving over a trillion dollars to international bankers back in 2008 and Obama passed his stimulus bill, but although both actions helped insiders and the politically connected they have done almost nothing for the real economy.

On Friday the Obama administration released a report on the impact of the stimulus program written by the White House Council of Economic Advisors. It found that each job that the stimulus bill created cost about \$278,000. They estimate that they created or saved 2.7 million jobs. If they wanted to stimulate the economy they could have simply given \$100,000 to everyone whose job they made possible and taxpayers would have been ahead \$472 billion.

So the stimulus bill didn't really do much for the economy. It did succeed though in helping to increase the national debt from \$9.986 trillion to \$14.67 trillion. And it also made it appear that President Obama was doing something, which Presidents love to do. They love to look tough and go to wars and say they are passing legislation for emergencies. People who think Obama was going to be a peacenik or the anti-Bush have to scratch their heads at his adven-

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ture in Libya, which is now costing about a \$1.5 million dollars a day after having cost several hundred million the first few weeks of operations. The Obama administration projects that the Libyan war will cost \$750 million by the end of September - which is enough to take out the GOP budget cuts - and they have no idea who will take power if they even succeed in eliminating the Gadaffi regime.

Defense contractors love the new war though, but most Americans aren't even aware that this war is going on at all.

The average American is just struggling to survive.

Most have lost faith in the American dream of getting ahead and striking it rich. But it can still be done. The problem is most people don't really know how to do it.

When most people are young they tend to think that the way to get rich is to go to college, get a good job, buy a house, and then talk to a stock broker and start to invest and in twenty years they'll be able to retire in comfort. And they think that the thing to do is to do all of these things in this order.

Success and getting wealthy is a messy business. Very few people who find their pot of gold at the end of a rainbow do it with a step by step plan. Instead they do many things at once. They make money from a job or business, get a mortgage, and invest all at the same time. That's how one gets rich so

to speak. They do everything simultaneously. If there is a secret to it that's it.

I get emails from all kinds of people every single day. They come from people who have made lots of money, people who want to, people who are retired, and people who are just starting out.

One person sent me this question yesterday, "I've been reading your emails for over a year now. Listen I'm 60 and just retired last week with \$1.5M in the bank. Did it be being frugal. If I'd spent it on a nice car every few years and lavish family vacations I'll still be working and probably not able to retire till I'm 68. Stay the course brother old age creeps up on us very quickly. OK hypothetically, if you had \$1M to invest today where would you put it? Stocks with high dividends, bonds, treasuries, oil, gold? Just curious my friend."

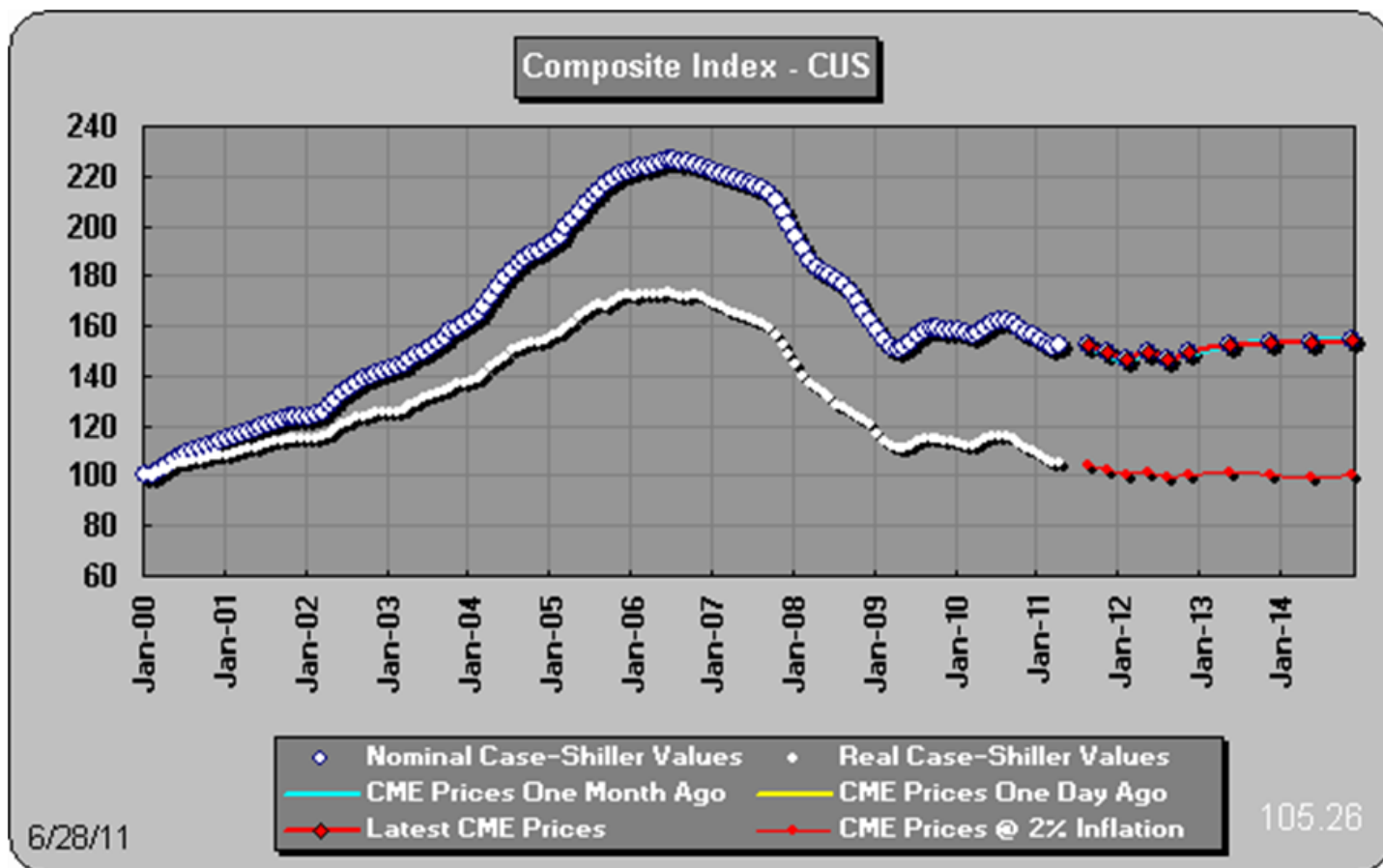
First of all you don't have to do anything. You won the game. And the thing is this may be a game that you don't win until you just sit down and say I won and I'm happy with what I have. But almost no one can stop playing. It is human nature to want more. Nature is driven by a will to power. Trees can't stop growing. People can't stop wanting to increase their power whether that is through more money, more things, or simple self-improvement. Everything alive is driven to grow.

Actually if I had one million sitting around to invest and had to do it right at this instant I wouldn't

put it in any of these things. The stock market is not what it was ten years ago or three years ago. It has been going up in a cyclical bull market now for three years and at most probably only has about a 10% upside for it from its highs of April. It is a traders and speculators market now. Trying to invest by buying new positions now and trying to hold them for the long-term to me right now is like flipping a coin. You want to invest when things are beaten down, not after things that have gone up for several years. Actually there is one thing that meets that criteria right now - bond yields. I'll get to that in a moment.

Personally I would look to invest a portion of my money outside of the stock market. Over the past two years I have bought some real estate and invested in some real physical businesses using some of my money and taking some loans. I believe the return from these investments will beat the stock market over the next few years.

So actually I think right now there are better opportunities in real estate than in the stock market. Real estate has been falling now for years. Yes real estate prices will probably continue to decline some over the next year and I don't expect prices to just take off after they bottom, but you can find situations where you can buy properties at big discounts.



This is a graphic of the futures contracts for the Schiller/Case real estate index. You can see that futures traders still see further weakness in real estate and then it basically flatlining for years.

I wouldn't be surprised if the whole economy doesn't act like this.

As for the stock market I would look to have a nice cash position now to use when investment type positions line up and in the meantime if you feel like it play the speculative trading game, but just with a portion of your money, because it is basically gambling. But everyone loves to do it, and when you see the market fall for over six weeks in a row and then go up like it did last week it is difficult for most people not to want to get

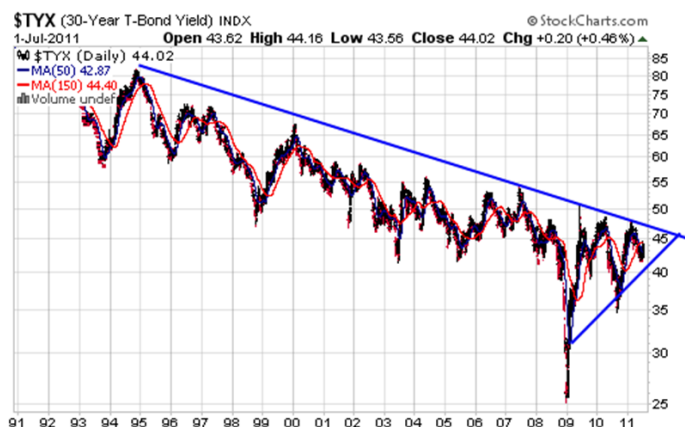
involved, especially if you watch CNBC or check the markets on a daily basis. Everyone loves to try to ride a rally.

The more important question than what to do now - is what might be good things to invest in when it comes to the stock market. Well the US stock market as a whole is in a secular bear market like it was in the 1970's - that means a sideways market overall. That trend will eventually change, but it probably won't for years - just like that chart for real estate isn't going to go into a bull market for a long time.

Thanks to money printing, the most bullish things in this secular bear market are likely to continue to be commodity related - that means gold and oil related investments. I

like buying these on pullbacks and right now commodities look to be in a short-term sideways phase, so they are buys on dips. And at some point whether you think a recovery boom is coming or more inflation is coming interest rates - which is something that is beaten down to nothing - will rise in value.

So if I want to invest in something with the expectation of holding it for years from here I'd look to make bets that interest rates will rise - that means betting against bonds.



Bonds and interest rate are at a key pivot point now that will play out over the rest of the year. Bonds and rates trade inverse to one another so if rates end up breaking through this 30 year long resistance trendline in the chart above than bonds will begin a secular bear market. Bonds have been rising in value for the early 1980's and interest rates are about as low as they can go.

Eventually inflation or recovery are going to cause rates to go up - and if it is inflation which I think it will be (we just got a whiff of it at the gas pump the past few months) then I expect

bonds will go into a secular bear market that will last for years. That means rates will go up.

There are some funds that one could invest in to make this bet. The one I have some money in is RYJUX.



The Fed's formal money printing bond buying quantitative easing two program ended last week. I expect that to put some pressure on bond prices going forward. It also may be a reason why we have seen corrections in gold and commodities the past three months that were worse than what happened with the broad market. These asset classes were among those that went up the most after the Fed announced its money printing program last summer so it shouldn't be too shocking that they got hit when it ended.

Now the Fed isn't going to completely stop buying bonds, because it will reinvest its principal payments from mortgage securities into US Treasuries, but its rate of purchase is going to slow down, which will still take a huge amount of buying out of the Treasury bond market. As for trade ideas I'll have some in the Power Investor Section and we have some high-lighted stocks here.

Sectors & Stocks

Andy Emerson

It's been weeks since the markets have had a good rally week. Over the past month we've been talking about the market pulling back towards long term support (150 day moving average). While it finally happened hopefully some were able to take positions in some of the stocks that we've been discussing the last month or so.

The stocks that started holding up as the markets keep selling are the one of most interest.

Lets jump right into the stocks that held up well and if the market makes new highs in the months to come these stocks should become leaders.

The SP-500 long-term chart shows that we're still in a bull market. After pulling back towards the long term moving averages that are still pointing upwards.



Not only are we above the long term moving averages the SP -500 is also above the 50 day moving average. Long term the chart still looks good. Whether or not we make new highs soon is another story but we could see months of consolidation before news highs are achieved.

MVO (Oil trust). This is exactly what you want a stocks to look like are seeing the markets pull back for almost two months. Note the consolidation while the averages were making new lows.



Below is a large list of stocks that held up well while the markets were making weekly new lows. Remember it's best to pick stocks that are trading as strong or stronger than the markets. We want stocks again that are above the long-term moving averages at this point. One day the markets will enter a bear market again and we'll do the complete opposite when shorting weak stocks when the markets bounce.

WES



PXP



MWE

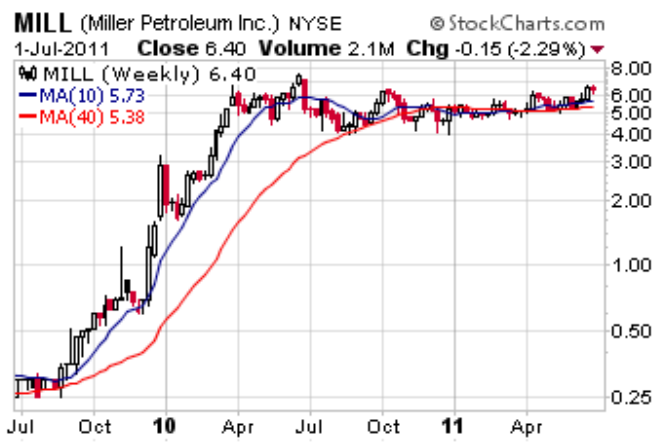


WNR



MILL

IPO that is making a nice base and is breaking out of the base.



PDC



XTXI



CVI



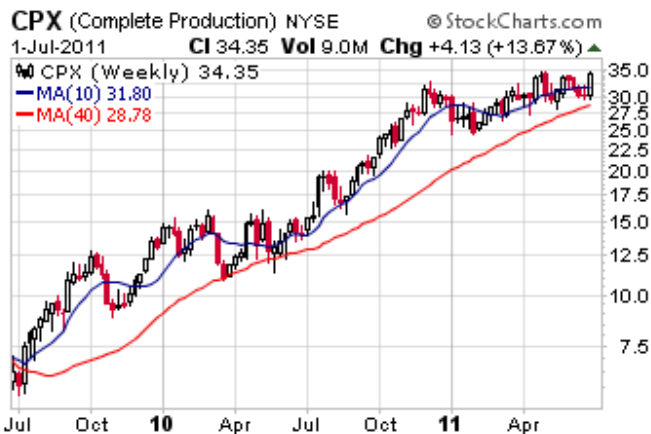
SWN



OKS



CPX



NGLS

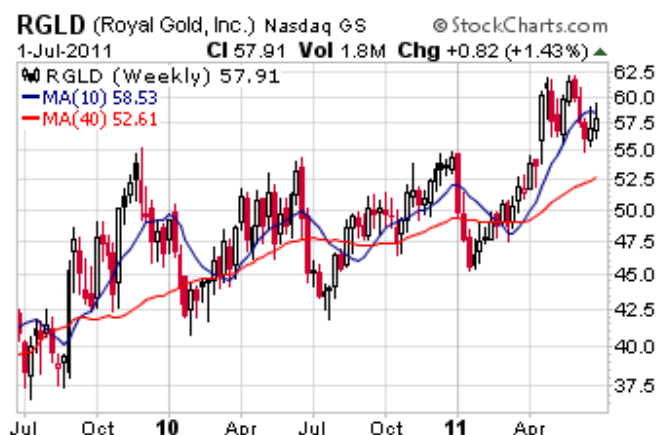


Coal stocks really jumped out of the stock scan. YZC held up extremely well.



Gold stocks held up pretty well during the last pull back

Number one on my list RGLD



CLF



RTI



AUQ



Health Services

HNSN



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