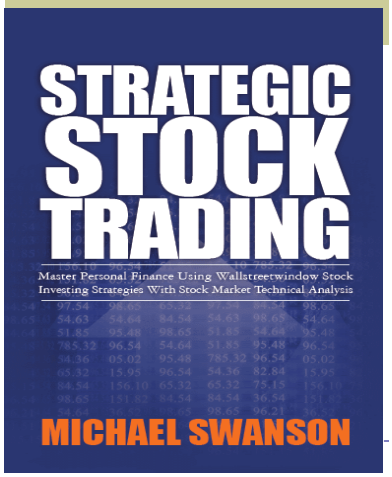
WallStreetWindow Monthly

Stock Market Barometer

The Most Influential Financial Newsletter Read By Over 500 Hedge Fund Managers and Thousands of Elite Investors ~ Nov 3 2013

Quote of the month:

"How much would you pay to avoid a second Great Depression?" - Ben Bernanke fear mongering in 2008 to force politicians to pass trillion dollar TARP.



What Is Your Holding Period? —Mike Swanson

I want to present you with a simple question that may cause you to rethink your investing. I just want to ask you when you buy a stock how long do you plan on holding it? If you do not have a solid answer to that question than you do not have a real game plan when it comes to your investment and stock trading decisions.

Most people don't. They just buy something because they hear a story or simply believe in a certain company and think if they buy its stock they will be do something smart. It's like someone playing on Facebook and telling themselves they love Facebook so they go run out and buy the stock. They LIKE Facebook so they assume that means the stock has to go up.

But they do have no idea what price they are paying for the stock. They don't even know the P/E average for Facebook. They have no plan. They may see someone on TV say they like Facebook too, but other than that they have no real confirmation that they are making a good decision. And they have not even asked themselves how long they are going to even hold the Facebook shares they just bought.

That is what the typical stock market player does - and why he loses money. What holding period is appropriate for you? If you know how long you want to hold something than you will use strategies that work for that holding period.

When I first got into stock trading it was back in the late 1990's when the Internet stock market bubble was blowing up. The right Internet stocks would go up 30% in a day, but almost all of them ended up

going bankrupt. I knew they weren't real, but I also knew that they were what were moving.

So I played them with a very short-term time horizon. I would buy and sell stocks within three days. Then move on to another one. I was essentially daytrading and I was only playing two to three stocks at a time. I was using huge positions and very short-term time frames. That required me to be on top of things literally every moment of the day.

I do not do that anymore. I'm not trying to play junk stocks for quick returns, but instead I am investing in stocks by buying solid companies trading at very low valuations. I now buy with the idea of holding for several years.

Most people do not do that. A large portion of the trades now taking place in the stock market are coming from "high-frequency" trading program being run by giant hedge funds. They hold minutes at the most and usually only for a few seconds. If you want to daytrade nowadays then you must compete with these computer programs. To tell you the truth I don't think I can do it.

But I do not have to worry about competing with these programs, because I am using a long time horizon that few hedge funds and institutional investors can use. I am trying to buy and hold for years so I do not care what a stock does in any given day or month. It really does not matter to me, but hedge funds that are evaluated on monthly returns do not have such a luxury. They are forced into short-term trading in order to make money every month for their Wall Street masters. If you use a holding period the hot money cannot use then you do not have to compete with it.

In 1940 the average American investor held a stock for seven years. By the time of the 1987 stock market crash that holding period fell to two years. Now the average holding period is just seven months.

This is most likely due to two big factors. First the simple ups and downs of the stock market have increased and caused people to lose faith at times. The stock market bust of 2000 and crash of 2008 have made people nervous and fearful of a repeat. So every time the stock market has a normal correction there are many that end up selling out in panic. Many are willing to have their money in CD's paying no interest than have it in the stock market which they now perceive as being risky.

Secondly, with the Internet and online trading it is simply easier to make a trade. You do not have to call a broker all you have to do is press a button. And we now are bombarded with news about the stock market on the Internet and on TV all the time that makes it easy to get caught up in the nonstop talk - most of which is just a distraction. The news does not talk about investing for the long-run, but simply talks about whatever is happening at the moment. As a result all most people pay attention to

are the daily gyrations of the stock market. They have no concept of investing.

The thing is though what you pay attention to when it comes to charts and fundamentals really should depend on the time frame you are using to hold your positions.

You really cannot predict what the stock market is going to do in the next few minutes or even the next few hours. Computer programs rule and almost all of the information you see in the short-term is confusing noise that you cannot make any sense out of. if you want to play the daytrading and couple days of swing trading game you need to use some computer program of your own. And there are plenty of people out there selling such backtested "trading systems." All of them work until they stop working.

It is easier to tell what the stock market will do over the next month. You cannot always tell, but there are times after the market drops for a few weeks that it gets so oversold it becomes likely to go up over the next few months. That makes a great time to buy. And of course there are times when it gets overbought and is likely to pullback or at least pause for a bit before it goes higher. That's where we are right now.

I know you have seen the S&P 500 make new highs in the past few weeks, but few people know that most markets all over the world have generated huge returns in the past few months. The Spanish stock market for example has rallied 40% since July.

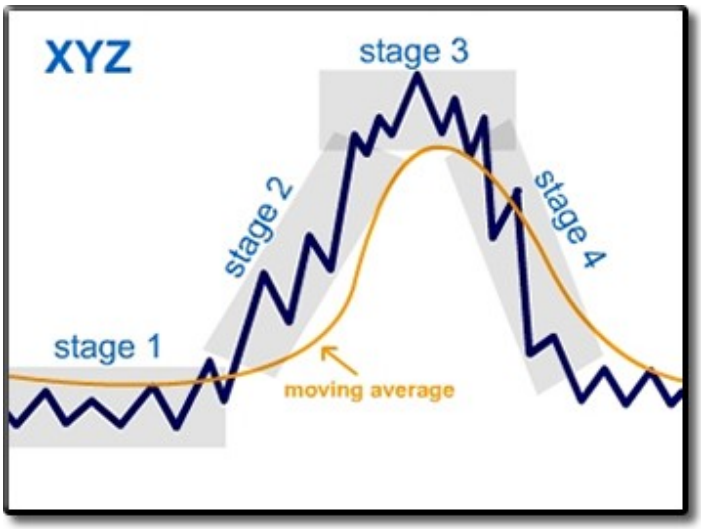
Most markets went up so much that they became extremely overbought by the end of October and have begun to pull back off of their highs to digest those gains. That is normal action. In other words things have gone a bit ahead of themselves and I expect we'll see a little dip or pause in markets just about everywhere in November.

A sign that some froth is in the market now is in the Investors Intelligence survey which showed a big drop in the number of people bearish on the US stock market and a jump in the bulls. Out of those polled last week's numbers registered only 16.5% bears and 52.6% bulls. Over the past few years tops that led to bigger corrections came with the bulls around 54%. So we are at a frothy point.

That's nothing to fear. A dip or pause in the markets right now will lead to an opportunity to buy great stocks at good prices. There are many I have my eye on for potential buys.

Sometimes the picture is a bit more ambiguous, but the key is that when you look out a month the most important thing to be watching are

technical momentum indicators, moving averages, and investor sentiment survey's to see if people are getting overly bearish or bullish, because such readings often coincidence with important bottoms and tops.



When it comes to what the stock market will do over the next 30-days valuations and fundamentals don't matter so much. In fact using valuation investment strategies for short-term trading really makes no sense and one study shows that for 30-day holding periods such strategies actually lag momentum trading.

Now when it comes to what the stock market will do going months on out what matters are valuations and stage analysis. You must ask yourself if the market is in a bull market or a bear market or a phase in between? So right now the US stock market is in a four year old bull market with no sign that it is over. Gold and commodities made a bear market bottom this summer and are in some sort of basing transition phase between the bear and bull cycle. The HUI needs to clear the 280-290 to break through its base and begin a new bull market.

Markets in Europe are one year into a bull market. Since they are now in a young bull market the upside in European markets as a whole is much greater than that of US stock market going forward over the next few years. Valuations tell the same story with the S&P 500 now trading at a cyclically adjusted P/E around 24 and most European markets trading over a 50% valuation discount to it, which of course makes them a much more compelling investment.

And that takes us to investment holding periods. I like plan to buy something with the idea of holding for three years out. Why three years?

Well first of all if you look at the past one-hundred ten years of stock market history the average cyclical bull market(secular is the ten year plus cycle with bull and bear markets in it) lasts 3.8 years.

I've found that the best returns come at the start of a new bull market. What typically happens is that a huge return comes in the first few months of a new bull market and the worse the bear market before it the bigger this return is. Think back to the Spring of 2009. Look at the

Greek stock market last year. It doubled in just a few months.

Then after this first big push up you typically get a sideways consolidation phase that lasts anywhere from a few weeks to up to six-to eight months. So in 2009 the US stock market paused for a few weeks before resuming its bull market after it first big rally. Most European markets went through giant rallies in the fourth quarter of last year and then went sideways from January to August of 2013 and then broke out to start there next big rally.

These pausing periods after the first big rally make for great buying opportunities. You can often find many stocks that doubled off their lows and are now consolidating to make for a good entry point. This often becomes a fantastic time to make new investments - that you can safely hold for several years. That's why if we get a pause in world markets this month we'll get some wonderful buy points.

So if we put all of these concepts together where are the buy opportunities to invest in new positions going to come from? Well we got two key markets to watch now. First we have the stock market in Argentina. It went through a brutal bear market - so brutal that it is trading at a cyclically adjusted P/E around 3 with stocks in it trading with P/E ratios of 2 and 3. They are incredibly cheap.

The market there spent this year forming a stage one base and broke out in August to start a new bull market. It has surged over 25% in the past few months with many stocks in it rallying over one hundred percent. Some have tripled and are still super cheap on a valuation basis.

Now it looks like the Argentina stock market is going through that pause you get after the first big bull market rally. This makes it a key place now to watch for stocks to buy.

Secondly we still have commodities and metals and mining stocks that have yet to begin a new bull market. They are in their basing stage one phase that comes between bear and bull markets. They look to me like they could break through resistance by the end of this year or early next year. So we have huge opportunities there to make new investments.

The S&P 500 has gone up now for four years and is overvalued. At that point it is hard for me to invest in most US stocks with the idea that I'm going to hold for three years. So in my view the S&P 500 and US stock market is now mainly a traders game. It's a place to jump in and

out of and "play."

I personally no longer do that sort of thing, because I do not like to watch my positions and the stock market on a minute by minute basis. I like to invest in things I am confident will go up for the next several years. It makes things so much easier and makes it so there is very little for me to worry about. I literally can buy and pretty much forget - just checking on things closely once or twice a week and spend most of my time simply hunting for new opportunities instead of worrying about the gyration of the moment.

This also gives me a clear mind and plenty of time to do other things I like to do. It makes it so I have the stock market working for me instead of the other way around. It's fun. And right now if a little pause comes here will make for a great time for some new buys in the right markets. I see some stocks with huge potential if they line up to make a good entry point in the next few weeks. I have already talked about the stocks I'm watching now in my Power Investor PDF reports over the past few weeks. I will continue to dig and research for more. I really think this November will end up being a good time to make some new buys.

November 22, 1963—50 Years Of TV Sycophants Obscuring the Truth

In a few weeks it will be November 22, 2013. Fifty years ago from that day President Kennedy was assassinated. Over 75% of the American people believe he was killed in a conspiracy. There are people who have devoted much of their lives to researching the assassination. There was a Congressional investigation into the Kennedy assassination and the Martin Luther King assassination at the end of the 1970's that concluded that there probably were conspiracies in both of them.

People have also made fortunes off of the assassination, but those that have made the most writing books have done so by catering to the mainstream TV media - which opposes all serious investigation into the event and defames those that try to look into it. Authors and books that claim that there was no conspiracy have actually ended up making the most money, because they get promoted by the TV media.

One example is the Gerald Posner book Case Closed, which claimed that Oswald carried out the assassination by himself. That book came out around 1993 and was pushed by TV news as the "definitive" work on the assassination. It faded away though when it came out that some of the people Posner claimed to interview for it said he never talked to them and he himself came under charges of plagiarism later. The book was a fraud, but it had the message TV network news producers wanted so they pushed it.

Now a new book by UVA political science professor Larry Sabato has come out and is being promoted on TV with a documentary on PBS. Sabato

has given the correct opinions to be on TV. He says that he believes there was no conspiracy and that "we will never know" the truth. Sabato has committed something of an intellectual fraud though. In the run up to the book's release he claimed to have "new" evidence on the assassination he would reveal. It turned out to be just old meaningless evidence repolished, but it got him headlines and on TV. He is just the latest of sycophants who profit from the tragedy of the assassination by turning themselves into stooges of the Washington beltway crowd and prove to be willing to say anything to get on the television box.

I have a Bachelors degree and Masters degree from the University of Virginia. I find it personally embarrassing to think that the university is now associated with this book. I noticed in the acknowledgements, that Sabato did not seem to get much help from the history department, but I still feel that my degree has been cheapened by this book. Incredibly though the weakest parts of the book aren't what he says about the assassination, but his completely superficial rendering of Kennedy's Presidency, especially in regards to his foreign policy.

Sabato claims "we will never know" the real truth when it comes to the assassination. He never asks if that is true why. The answer would be simple—lack of political will and the willingness of people like him to work against finding it by obscuring it to get on TV—and the lack of any real investigative work done by the television media. When you read Sabato's book and see him on TV you get the impression that he doesn't even care what the reality is. He is today's example of the post-modern "scholar" perfectly fit for the television set.

This is nothing new for TV. TV "news" engages in zero real journalism and merely acts as a propaganda tool of the government and the corporations tied to it. I'm not sure if that is, because of the power of its corporate owners, advertisers, and dependence on government sources for "reports" to relay or a symptom of the medium itself. But whatever the case real investigative work comes from journalists and authors doing real research and not talking heads creating sound bytes.

Take CNBC. It failed to warn people of the coming 2008 stock market crash. Into the crash it claimed over and over again that the Fed was fixing the economy and everything was fine. It claimed nothing was wrong with the banking system until it collapsed.

Well, there were plenty of stories all over the print media explaining what was going to happen. Barrons had a front page story predicting the collapse of Fannie Mae and Freddia Mac months before they went under. It didn't take much to realize what that would mean and people like me were trying to warn everyone.

But CNBC revealed nothing. And it still doesn't. CNBC was an enabler for the Wall Street bankers and Federal Reserve bureaucrats that took the financial system down and tore our economy apart. I have never

seen a single real investigative story revealed on television about anything, much less something like the assassination of President Kennedy. And to make yourself into a TV star on this subject you have to be willing to sell your integrity.

The truth is much has been revealed. In the aftermath of the Oliver Stone JFK movie Congress authorized the release of tens of thousands of classified documents. Much is still secret, but much has been released in the past twenty years that has given researchers a greater understanding of the assassination and the Kennedy Presidency. My book The War State relied on the release of new records and tapes to get a better understanding of what President Kennedy actually did as President and what was involved in the Cuban Missiles Crisis and other events. There are things that were in big dispute twenty-years ago that are no longer in dispute when it comes to his Presidency. For example we now know that he had a plan to withdraw from Vietnam in 1965. How do we know that? Because he has a whole meeting about it in October of 1963 that is on tape.

Now I am not an expert on the assassination itself and do not claim to have the answers. But there are new interesting works out there. Check out James DiEugenio's Destiny Betrayed for a good overview. To immerse yourself in the assassination go to Amazon and do a search for Walt Brown Chronology and you'll find the most massive investigation and work done by one single individual into the subject. Start with his Read Me intro and check out his "Odyssey." It's the tale of his story researching the assassination and will give you a good idea of what has gone on in the JFK "research community" over the years and will give you some specific names.