

## Tunnel Vision

### Purpose

*This is a reissue of previously disseminated information.*

The *CJ* Investment Newsletter deals with the entire spectrum of securities investing, including cash (money market funds), bonds, equities and options. It will evaluate the overall investing environment and then discuss the relative allocations of these asset types, as well as strategies to implement within them. Essentially, it reflects what I'm actually doing with my clients.

These letters are not sent "cold." Either I know you or someone you know gave me your name. Yes, this letter *is* a sales tool. It communicates how I apply my investment strategies, so that you can decide, without any sales pressure, if my thinking is compatible with how you want your money invested. If you're not already a client, I would like to discuss your *becoming* a client. Please call me for more information.

However, that's not its only purpose. Even if you never become a client, if you want this information, I want you to have it – for a while, anyway. My hope is that providing this information and teaching you what I think is important when investing may help you. Please contact me if you have any questions or comments. I'd love to hear your reaction to my letter.

### Quick Look

#### Market



- Tom Robbins provides us with some brilliant insights.
- The impact of the Cap and Trade bill that passed the House last Friday is discussed.

#### Next

#### Expected Move



### Tunnel Vision

“There is a particularly unattractive and discouragingly common affliction called tunnel vision which, for all the misery it causes, ought to top the list at the World Health Organization. Tunnel vision is a disease in which perception is restricted by ignorance and distorted by vested interest. Tunnel vision is caused by an optic fungus that multiplies when the brain is less energetic than the ego. It is complicated by exposure to politics. When a good idea is run through the filters and compressors of ordinary tunnel vision, it not only comes out reduced in scale and value but in its new dogmatic configuration produces effects the opposite of those for which it originally was intended.

*(Continued on page 2)*

**“A government that robs Peter to pay Paul can always count on the support of Paul.”  
- George Bernard Shaw**

**Trend Capital Management, LLC**

(Continued from page 1)

“...That is why virtually every revolution in history has failed; the oppressed, as soon as they seize power, turn into the oppressors, resorting to totalitarian tactics to “protect the revolution.” That is why minorities seeking the abolition of prejudice become intolerant, minorities seeking peace become militant, minorities seeking equality become self-righteous, and minorities seeking liberation become hostile...”

- Tom Robbins, Still Life with Woodpecker, 1980, Bantam Books

Every once in a while, I read something and the words ring so true and so relevant that I feel compelled to share them. Such are the above words from a book my daughter gave me to read recently. It's a whimsical work of fiction. Who would have thought such insight would be contained within?

### Cap and Trade – and Impoverishment

Why does it matter? The Cap and Trade bill that just passed the House will be taken up and likely be passed by the Senate in the fall – to our everlasting detriment. As poorly designed and wasteful as the stimulus bill earlier this year was, it was not nearly as destructive to America's future prosperity as the Cap and Trade bill could be. This bill has the potential to make America a second world country. The only thing this amazingly terrible bill doesn't do so far is falsify America's history. Certain factions are already falsely revising our history, so, perhaps, the authors and supporters of this bill can further that goal, too.

*Tunnel Vision* is what allowed this bill to be written, rules broken to insure its passage, and its supporters to look others honestly in the face and say that we *have* to do this to (check all that apply):

- Save the planet.
- Rid ourselves of dependence on foreign oil.

The only thing I can say about the “saving the planet” aspect of this is that I believe the “science” behind this claim is totally false, but, if you don't already agree with me, I'll never change your mind. There is so much information and misinformation about the underlying science of global warming (excuse me – climate change) in the media these days, that I understand completely how you could disagree.

How can we, as nonscientists who are not close to the actual source of the information, possibly evaluate the validity of the arguments? By the time they are

ideologically filtered and presented by the media to us, I, for one, have little faith in the veracity of anyone's claims. It's much easier to look at the agenda of those presenting the information than to try to evaluate the truth of the competing claims. I'm sure most of us pick our “side” on this issue this way.

Here's what matters to me:

- The sheer arrogance of taking a little over 100 years of demonstrably undependable data to make conclusions about mankind's ability to impact climatic cycles that may be millions of years old is beyond belief. Short of detonating many nuclear bombs, we *wish* we could have that much impact on our planet's climate.
- No one has ever *demonstrated* that “greenhouse gases,” especially carbon dioxide (CO<sub>2</sub>) actually trap significant amounts of infrared radiation in the atmosphere as the glass panes of a greenhouse do.
- 95% of all greenhouse gases are water vapor (H<sub>2</sub>O). Perhaps 2% is CO<sub>2</sub>. Why would the 2% be addressed instead of the 95%? Why does the 2% even matter?
- There is no *causative* reason to believe in global warming. All the evidence is statistical and anecdotal. As Benjamin Disraeli said, “There are lies, damn lies, and statistics.”
- If all that carbon was fixed from the atmosphere by plant and animal life and placed into the crust of the planet as oil, is not the burning of oil resources merely *recycling* the CO<sub>2</sub> back into the environment where it once was and probably belongs again? Who decided that the *optimal* amount of CO<sub>2</sub> in the atmosphere was the pre-industrial age level? On what basis?

As with investing, my *opinion* is either right or it's wrong. I learned back in 2000 that other people's opinions don't matter to me in investing. Time alone will tell if I'm right (profitable) or wrong (incurring losses). Other opinions may be interesting or informative, but if I'm going to go down, I'm going down on my own decisions, not someone else's.

Addressing our foreign dependence on oil and borrowing from the great Harry Schearer on SNL, “Pardon me for thinking clearly but...” wouldn't exploiting the amazing amount of carboniferous energy resources in and around the USA *also* free us of our dependence on foreign oil? Just a thought.

Cap & Trade tax will be assessed upon the burning of virtually all carbon-based fuels – oil, coal, natural gas

(Continued on page 3)

## Asset Allocation Percentages CJ Current Suggested Ranges

**Dow Theory Market Phase:** BEAR  
**Appropriate Current Allocation:** DEFENSIVE

<u>Asset Class</u>	<u>Conser- vative</u>	<u>Aggres- sive</u>
Money Market Funds	70-10%	55- 5%
<i>Long Positions:</i>		
Bonds & Bond Funds	30-60%	40-60%
RD Stocks	0-10%	0-10%
Growth Stocks	0%	0%
Gold Equities/Funds	0-20%	10-30%
Bear Market Funds	0- 10%	5-20%
<i>Aggressive Positions:</i>		
Shorts and/or Options	0%	0- 5%

### Notes:

Income generating portfolios may not conform to the above guidelines. If income is the primary purpose of a portfolio, income needs are met *first*, then other allocations are made.

Up to 50% of bond/bond fund positions should be in international (non-US) bonds. Such bonds will provide higher interest paid on the face due to the additional *perceived* risk of foreign bonds, as well as providing hedging gains as the dollar declines against foreign currencies due to Fed monetary policies.

(Continued from page 2)

as a deterrent to burning such fuels for energy. Since virtually our entire energy matrix is geared to the use of these fuels, taxes will be assessed at virtually every point in our economy. Additionally, any other activities producing CO<sub>2</sub>, natural or not, could become subject to taxation under the bill.

The object, after all, is to cap the emission of CO<sub>2</sub> from our society and to lower that “cap” progressively over time. The means of lowering CO<sub>2</sub> emissions is to make all CO<sub>2</sub> generating activities more expensive through taxation of those activities to raise their costs to consumers and make alternative energy sources more “economical” in comparison. Understand? The government is *artificially* raising the costs of using carbon-based energy in order to change the behavior of our society as a whole. However, there’s nothing *artificial* about the increased costs we, as consumers, will have to pay. Those costs will be very real to us.

Here’s the critical point: Using alternative energy to avoid the tax will not save us money either. It will only appear so as compared to the higher costs created by the tax. *This bill artificially raises the cost of living to all consumers in our society for entirely questionable reasons.*

Thinking through the *logical consequences* of the impact on our economy of the Cap and Trade bill given the small amount of questionable information that’s actually been released about the bill leads to another list of bullet points.

- It’s a completely new tax, affecting every American, regardless of income. Other taxes will not be repealed or reduced to lessen the burden. At least the government has not represented that they will. Another broken promise by the President.
- Many of the entities that would be most affected by the bill have been given “Get Out of Jail Free” cards, so the government will only collect a small percent of the massive amount of taxes generated by this bill. They didn’t even design the bill to collect the huge amount of taxes generated, although the costs to consumers will not be reduced accordingly - supposedly.
- Since the government is not using the Cap and Trade bill to help pay for the massive deficit spending they have already passed, other taxes will have to be passed or rates on existing taxes will have to be raised. Another broken promise?
- The tax is not assessed worldwide. Therefore, the additional costs assessed upon US businesses simply make those businesses uncompetitive in the world markets. That’ll help pull us out of the recession, won’t it? It will also drive American businesses to close up American operations in favor of overseas operations that will operate without the onerous Cap and Trade tax provisions, most likely costing Americans large amounts of jobs. Also pretty counterproductive to ending the recession – and to all of our futures.
- Finally, and worst of all, the tax is extremely *regressive, since taxes assessed at the business level become product costs to consumers*. Fixed income and poorer Americans will be affected by the cost increases more than Americans that are more affluent. What slaps in the faces of the very voters that put this administration and Congress in office!

I never would have believed something so heinous would be passed by an American government. Is this just tunnel vision or something much worse?