The CJ Investment Newsletter

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Selling the "New Bull Market"

Purpose

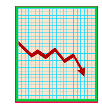
This is a reissue of previously disseminated information.

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	Next Expected Move
	

- We examine the recent media attempts to sell the arrival of a new bull market.
- A very strong April 2009 may have ended on a Key Reversal Day.
- Chrysler goes bankrupt.
- Cal's back on Fox Business Network!

Back on Fox Business Network

On 4/10/09, Good Friday, I got a call at about 9:00 AM from my contact, Meghan Sharp, at the Fox Business Network (FBN) asking if I could be in the studio and ready to be interviewed by Stuart Varney again by 12:00 noon. We got it arranged and I was interviewed by Stuart very close to noon about the market rally and whether we were actually entering a new bull market and an economic recovery or not. Here's the online link so you can see the interview for yourself if you wish: http://www.foxbusiness.com/video/index.html?referralObject=4297125.

One last thing: because it was put together so quickly, there was no makeup person available as in the past, so I appeared on camera without makeup, or, as my wife, Faye, said "au naturel." Gawd.

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Selling the New Bull Market

I'd like to point out that I do believe the Obama AND Bush administrations have not held back in their attempts to "stimulate" market and economic recovery. They have clearly put the full monetary power of the Treasury and the Fed, as well as the full spending power of the Legislature and their administrations behind creating a recovery. I have discussed this extensively in past *CJ Newsletters* and my readers know my dim view of these policies. I disagreed with these policies under President Bush and I continue to disagree under President Obama.

A currently troublesome thing to me is the media selling that we may now be in a new bull market. CNBC, in particular, appears to be beating that drum, perhaps because of the developing scandal involving the uncomfortable closeness between the Obama administration and GE (and Jeffrey Immelt, its CEO), the parent corporation of NBC, the parent of CNBC. Certainly though, they are not alone. I believe both the administration and most of the media who favor the President are trying to promote that idea, if for no other reason than to keep the public patient while the changes they made and are making to the country, the law and the economy begin to work – or so they hope.

Fox Business Network and Fox News, as usual, are taking more moderate and wait-and-see approaches than the rest of the media. Before I sound like I'm beating up CNBC, however, please note that they regularly have bull/bear debates on their shows and are clearly not "in the tank" for the new President and administration as is the rest of NBC news and most of the rest of the media. However, there have been substantiated reports of individual reporters and anchors being chastised by NBC news for criticizing the Obama administration, especially Rick Santelli. So much for CNBC personnel having the freedom to speak their minds.

On a personal level, selling the new bull market is troublesome for a couple of reasons:

- If they are wrong, then they are effectively enticing some investors back into the market, only to further increase their losses. Later, when the bear is actually done, they may not have the courage to invest when they actually should, provided they have any assets to invest. How will these folks look themselves in their mirrors knowing what they've done if the bear comes roaring back?
- What if I'm wrong? While I'm trying my best to evaluate the evidence as logically and methodically as possible, it's always possible I'm not processing the information properly. While I hate the idea that my clients may be very late getting in, missing some real "low hanging fruit," I hate the idea of getting them in too soon and watching hard-earned profits and capital vanish because I wasn't patient enough even more.

The trouble is that such tactics by the government have never worked in the past. Never, ever. Not once. History is replete with examples of when these tactics have been tried. The Weimar Republic in Germany after WWI. Argentina. The list goes on and on.

Bill Bonner, a respected business author and a principal in Agora Financial, a business and investing advisory service, wrote yesterday on www.dailyreckoning.com in an article entitled *Voodoo Economics*: "**All over the world, governments are desperate to get out of the mess they've gotten themselves in.** (Emphasis is Bonner's) Argentina and Ireland just got handouts from the IMF. Other countries are getting in line. Having spent far too much in the past, they now spend more - hoping that spending will miraculously bring about economic growth. We say "miraculously" because there is no other way to explain it. When economic growth results from saving, investing and hard work you can describe it in terms of 'cause and effect.' But if you ever get economic growth simply by spending money, you can only refer to it as an act of God...or the devil. Black magic, maybe. Voodoo economics.

"Hardly a day goes by without some abracadabra or hocus pocus announcement. The feds bail out the banks on Monday. On Tuesday, they take over the auto industry. By Wednesday, they're passing out money on Wall Street. If any of these tactics result in greater wealth or more output - it will be a miracle."

As much as President Obama decries the "tired, unworkable policies of the past," it appears he and his advisors have not learned from them. As Santayana said, "Those who do not learn from the past are condemned to repeat it."

Personally, I'd love to see that a new bull market is in force, but my clients are paying me to look at reality and make the best decisions I can, given the evidence available at the time. I'd just like the business channels to do a little less selling when disseminating news and information.

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Asset Allocation Percentages
CJ Current Suggested Ranges

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

<u>**Asset Class**</u>	**Conser-** **<u>vative</u>**	**Aggres-** **<u>sive</u>**
Money Market Funds	70-10%	55- 5%
Long Positions:		
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%
Aggressive Positions:		
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.

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Market Assessment

I realize there has been a terrific rally since the 3/9/09 low – almost 25% up. Unfortunately, there are several issues in the way of jumping on the bull wagon:

- <u>**History**</u> The first drop (including Black Tuesday) in 1929 wiped out almost 45% of the DJI – from about 380 to 210 or so. The market then rallied 38% to about 290 before failing again. There were no less than 6 significant rallies prior to reaching the final bottom in 1932 of about 40 – down almost 90% from the high of 380.
- <u>**V Bottom**</u> The rise from the 3/9/09 bottom has been rapid, forming the shape of a "V." Historically, this is not the shape a final bear market bottom takes. A bear market bottom is usually an extended "U," where the market bounces around in a relatively narrow range on low volume for an extended time (months) prior to becoming a nascent bull market.
- <u>**Bear Market Rallies**</u> The old adage is that bear market rallies look "better than the real thing." Being a corrective phase of the primary trend, violent upward moves are a signature of bear market rallies, not primary bull market moves.
- <u>**Rally Scope**</u> From the top of the previous bull market, the DJI rally could carry up to 10,000 or even 10,300 and still be nothing but a bear market rally.
- <u>**Time**</u> Bear markets usually take from 1/3 to 1/2 the time of the preceding bull market. Is it reasonable to believe this bear market can correct 25+ years of bull market in less than 18 months?
- <u>**The Economy**</u> Just in the last few days, the economy has recorded:
    - Chrysler declaring bankruptcy. GM has 30 days to avoid doing the same.
    - A 6.1% contraction in the 1st quarter, following a 4%+ contraction in 4th quarter 2008.
    - A new, further collapse of the housing market and housing prices.
    - While there are some encouraging economic indicators, few, if any, have established positive trends one could "hang his hat on."
- <u>**Key Reversal Day?**</u> The market may have finished its rally today, given the DJI started up in triple digits, then closed negative. Lack of volume may thwart this indicator for today, but the indicator may hold anyway.

Sorry to say, the evidence indicates we are still in a bear market. There's more pain to endure.