Always Bet On Black March 19, 2014

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Do you remember the following headline from the fall of 2011?

> "In the Absence of a Credible Plan We Will Have A Global Financial Meltdown in Two or Three Weeks" [states] Dr. Robert Shapiro, Advisor to the IMF, Zero Hedge, October 6, 2011

How about this one from June 2012?

> [Spanish] Bankia Customers Pull Out Over 1 Billion Euros, Reuters, May 17 '12

Or some of these from December 2012 through December 2013?

> Ben Bernanke: If We Go Over The Fiscal Cliff, The Fed Can't Help, Huffington Post, Dec 12, 2012

> Wall Street Drops After Bernanke Hints At Slowing Stimulus, Reuters, June 19, 2013

> 'War-Weary' Obama Says Syria Chemical Attack Requires Response, CNN, August 30, 2013

> Standoff In the Mediterranean: The US vs Russian Navies, Zero Hedge, Sept 5, 2014

> Jack Lew [US Treasury Secretary] Warns That A Default Could Cause 'Irrevocable Damage', Huffington Post, Oct 10, 2013

> Markets Rally As Traders Take Taper in Stride, The Guardian, Dec 19, 2013

And the most recent drama centered on Ukraine, and involving Russia, the EU, and the US?

> Stocks Hit By Global Worries; Dow's Worst Session Since Feb 3, CNBC, Mar 13, 2014
>
> Did Russia Just Move Its Treasuries Offshore?, WSJ, March 14, 2014
>
> US, G-7 Allies Won't Recognize Crimea Election Results, The Hill, March 12, 2014
>
> Crimea Will Formally Apply To Join Russia Tomorrow After 95.5% Support Referendum; US, UK, EU Reject Results, Zero Hedge, March 16, 2014
>
> US, EU Levy Sanctions on Russia, Ukraine Officials After Crimea Vote, LA Times, March 17, 2014

So what do these "pessimistic" headlines have in common? US stocks bottomed at or shortly after these headlines. That's right. None of them lead to a crisis or hard sell off. All were "signals" to buy stocks.

What in the old days could be explained as negative news that sent traders and investors to the sidelines, in the brave new world, for 2 ½ years, has been seen as a "positive" for buying stocks.

See for yourself. This is not forecasting the future, but merely examining the past.


$SPX S&P 500 Large Cap Index INDX
© StockCharts.com
30-Nov-2011 O 1196.72 H 1247.11 L 1196.72 Last 1246.96 V 4.2B Chg +51.77 (+4.33%)
$SPX (Daily) 1246.96 (30 Nov)
MA(50) 1206.40
MA(200) 1265.89
Best Minds Inc.
The "euro was saved" rally
1292.66
1277.55
1258.07
1230.71
1220.39
1208.47
1215.42
1158.66
1136.07
1121.09
1114.22
1101.54
1074.77
Jun
Jul
Aug
Sep
Oct
Nov


$SPX S&P 500 Large Cap Index INDX
© StockCharts.com
31-Dec-2012 O 1402.43 H 1426.74 L 1398.11 Last 1426.19 V 2.4B Chg +23.76 (+1.69%)
$SPX (Daily) 1426.19 (31 Dec)
MA(50) 1411.49
MA(200) 1390.38
Best Minds Inc.
1474.51
1448.00
1422.38
1357.38
1343.35
1309.27
1266.74
US Fiscal Cliff? Bernanke, no need to be concerned.
Spanish bank runs? No problem.
2012
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

At this point, the inevitable, "well this could continue much longer" continues to be the most widely acclaimed investment mantra. Yet I ask you, why do life insurance companies charge higher premiums to an 80 year old than they do a 50 year old? Is it not because risk is rising, as we get older?

Eventually, whether consciously or unconsciously, the norm becomes "Buy the dip and EXPECT there to be another all time high very soon", or "Why would anyone ever want to sell?" The longer the money manager or investor bets on black and wins, the greater the confidence to continue down the exact same path.

Even the most recent all time high on March 7, 2014 saw only a 2.3% decline in the S&P 500 during the 5 trading days leading up to last weekend's vote in Crimea, which we now know lead to their independence from Ukraine. As one could find out easily with a little reading, the global impact caused by economic militant actions that could be taken by Russia, Europe, the US, and possibly even China, make the stakes higher this week than last. So as markets turn right back up, so also do risk levels.

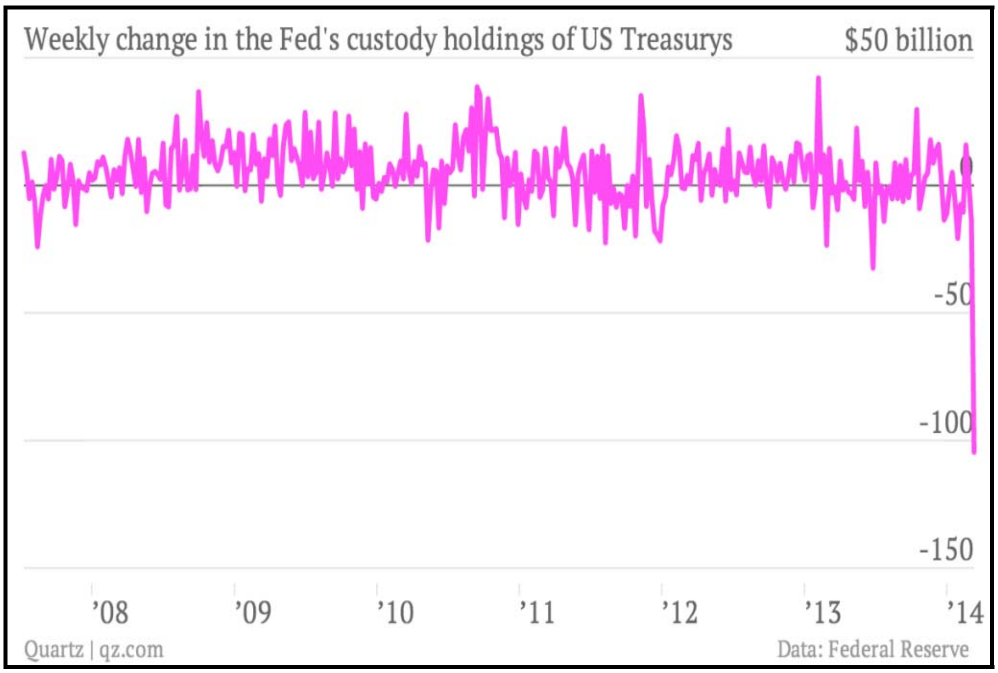
Yet sadly, millions of investors and advisors are receiving a message from watching US stock prices that is 180 degrees opposite from what anyone considering global economic and financial risk would attain from looking at factors OUTSIDE of stock prices. Consider these factors:

> "Russia is Europe's largest natural gas supplier, supplying one-third of the continent's natural gas." [To Understand What's Really Happening in the Ukraine, Follow the Gas Lines on This Map, PolicyMic, March 10, 2014]
>
> "In 2014, EU-Russia overall trade stands at around 360 billion Euros [currently app $500 billion US dollars] per year. ...The EU is also the largest investor in the Russian economy and accounts for 75 percent of all foreign investments in Russia." [Ukraine's Crisis: Economic Sanctions Could Trigger a Global Depression: News Junkie Post, March 15, 2014]
>
> "Russian companies are pulling billions out of western banks, fearful that any US sanctions over the Crimean crisis could lead to an asset freeze, according to bankers in Moscow.
>
> Sberbank and VTB, Russia's giant partly state-owned banks, as well as industrial companies, such as energy group Lukoil, are among those

repatriating cash from western lenders with operations in the US. VTB has also cancelled a planned US investor summit next month, according to bankers." [Russian Companies withdraw billions from the West, Say Moscow Bankers, Financial Times, March 14, 2014]

"China's top envoy to Germany has warned the West against punishing Russia with sanctions for its intervention in Ukraine, saying such measures could lead to a dangerous chain reaction that would be difficult to control....

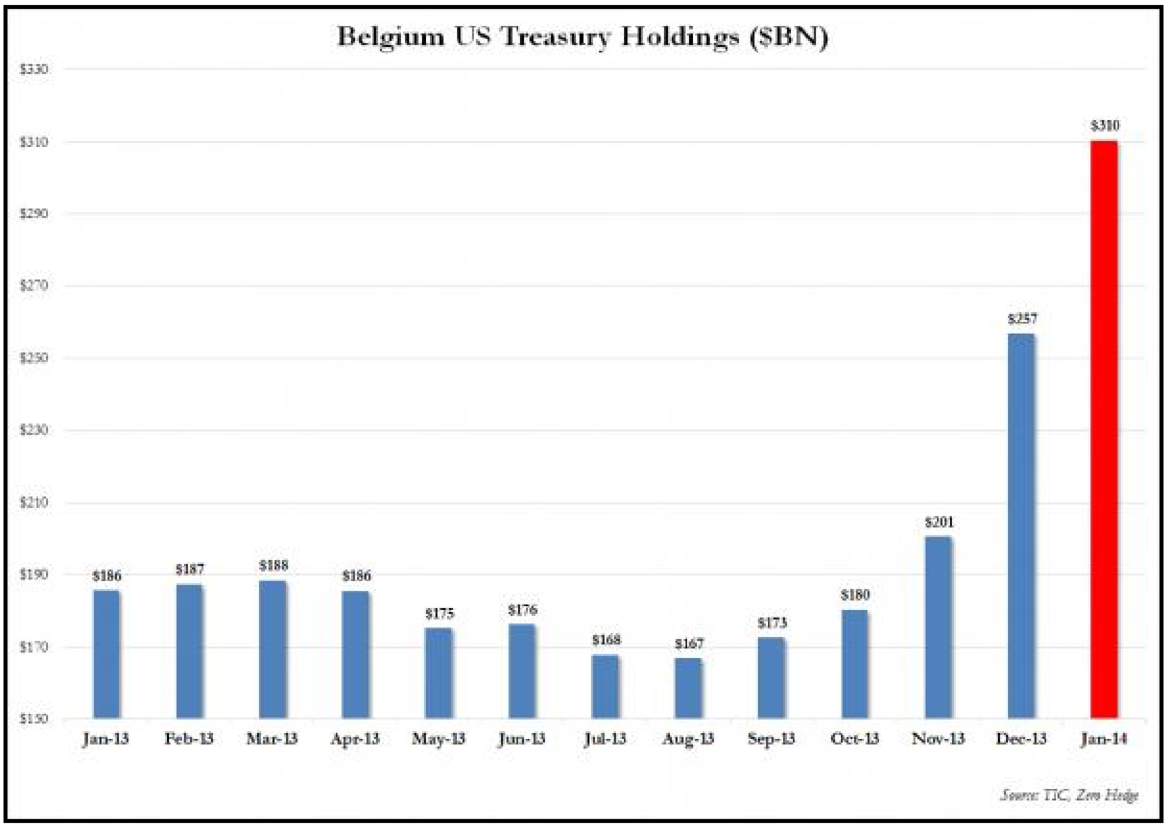
"We don't see any point in sanctions," [Chinese Ambassador to Germany] Shi said. "Sanctions could lead to retaliatory action, and that would trigger a spiral with unforeseeable consequences. We don't want this." [China Warns of Dangerous Russia Sanctions 'Spiral', Reuters, March 13, 2014]



"Somebody just yanked $105 billion dollars worth of US government bonds out of the Federal Reserve, according to the latest data from the US central bank."[And now, it looks like Russia may be messing with the Fed, Quartz, March 15, 2014]

"…as of January, the US has a brand new third largest holder of US Treasuries, one which in the past two months has added over $100 billion in US Treasury paper, bringing its total from $201 billion in November, to $257 billion in December, to a whopping $310 billion at January 31.

The country? Belgium" [Meet The Brand New, and Shocking, Third Largest Foreign Holder of US Treasuries, Zero Hedge, March 18, 2014]



If you are familiar with European politics, you recognize Brussels, Belgium as the *de facto* capital of the European Union, home of the European Commission, the Council of the European Union, and one of two homes (the other being Strasbourg, France) of the European Parliament.

So who decided to move $100 billion in the week ending March 12 away from the Fed's custody accounts for Foreign Official and International Accounts? Did the European Central Bank, home in Brussels, Belgium, have anything to do with the massive increase in US Treasury holdings over a 2 month time period ending as of January? If so, why the sudden enormous movement of US Treasury holdings?

Based on everything we have briefly covered in this short article, can you think of why all of this information should be dismissed, and we should place all of our faith on US stock prices going nowhere but up, solely because that is what they *have been* doing?

[Source – Is It A Bubble Yet?, Zero Hedge, March 12, 2014]

If the casino let you win over and over and over again by betting on black, would you really keep pushing all the chips back on black? Worse yet, if you had won all those times by doing nothing but leaving your chips on the table, would you really be surprised to wake up some day to find that the last roll landed on red, and your chips had been taken by the dealer?

> "If we were going to conduct a financial war, we needed people who knew how to use financial weapons – such as front running, inside information, rumors, 'painting the tape' with misleading price quotes, short squeezes and the rest of the tricks on which Wall Street thrives." [Currency Wars: The Making of the Next Global Crisis (Aug 2012) James Rickards, pg 9 of 254, Kindle Edition. * - Rickards was one of about 60 experts to take part in the first ever financial war game, sponsored by the Pentagon, and conducted at the Applied Physics Laboratory in 2009.]

- Starting Friday, March 21st, The Investor's Mind will be issuing a second newsletter for the retail investor and advisor who have little or no experience trading, yet have come to understand that bubbles always end and time is running out to prepare for the next major chapter in financial history. This publication will be available along with the current publication, The Investor's Mind (began in Jan '06), at no extra cost. A subscription to The Investor's Mind will bring to you the current newsletter and trading publication, as well as the new newsletter for retail investors and advisors. As we all saw from 2008, the "buy and never sell" strategy has extreme consequences. We cannot continue to trust central banks to merely reflate brokerage statements when global bubbles burst.
- I am available for public speaking, radio interviews, and consulting. Presentations are for all, both non- investors and investors, big as well as small. Please contact my office for more details.

- In the meantime, for those of you seeking a wide range of opinions based on a study of history, science, and a study of human behavior as we live through this incredible period of change, subscribe to my most comprehensive research and market commentary with a 6-month subscription to The Investor's Mind: Anticipating Trends through the Lens of History, and download my rare research paper on short selling, Riders on the Storm: Short Selling in Contrary Winds (Jan '06), which spells out major areas of systemic risk that advisors are not taught as part of their own conventional education, as well as solutions for periods when assets deflate in value.

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