

## How's it Going?

In my last email, I said it wasn't a question of "**if**" the market would follow the homebuilders down; it was a question of "**when**." Now, the correct question is: Have we seen the end of the decline? Most T.V. pundits and stock analysts say yes. They also say you should buy aggressively with both hands. This market reminds me of the window washer who was cleaning the Empire State Building on the very top floor, when suddenly his harness strap broke loose, and he started falling. Having plummeted forty floors, but with many more to go, someone stuck their head out a window, and asked the window washer "How's it going?" His reply: "So far, so good." The falling market, the Federal Reserve intervention, stock buybacks, and professional proclamations could be characterized as "So far so good." However, the fall could pick up speed, and could easily be fatal. (My personal belief is the word **could**, should be changed to **will**.)

In 1907, 1929, 1973, and 2000, the pundits all said the same thing: "Don't worry, be happy." (My interpretation.) P.T. Barnum once said: "Stick around folks, you ain't seen nothin yet." The technical indicators are setting up for a bear trend, which could develop into a bear market. The fundamental indicators are eroding everyday. I follow the technicals, I follow the fundamentals, and I follow P.T. Barnum. The homebuilders still have further to fall, the market will follow, the Fed will continue to be involved, and volatility will remain significant for quite a while. We continue to believe in inverse positions on the market, and strong positions in real assets (oil, gold, and silver.)

By the way, just so you know, I'm the guy safe and sound inside the Empire State Building who asked the question to the window washer: "How's it going?"

Till next time,

Bill

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