The Path to Dow 6,000

ECONOMY & MARKETS DAILY

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We live in times of unprecedented scientific advances and expanded predictability. Yet most economists, politicians, businessmen and investors fail to recognize the most powerful insight in modern times: that our economy, stocks, bonds, real estate and commodities have clear and predictable seasons.

They miss this point because most of them focus on symptoms, not causes. They spend too much time analyzing government policies that are largely reactions to the very cycles the politicians themselves fail to notice.

This is unfortunate. Missing this fact costs them financially. They're blinded to the opportunities these economic seasons present and so they lose countless chances to profit. They even fall victim to losses they could otherwise have avoided.

Just look at what happened to investors when stock markets topped in 1929, 1968 and 2007. They piled into overheated markets and were crushed when everything collapsed.

They didn't see the end of the 39-year spending-wave cycle coming. They paid dearly for it.

Commodities topped in 1920, 1951 and 1980. Again, investors snapped up precious metals and the like when they were already overpriced. Then they lost their money as these commodities predictably deflated. They ended up holding metals worth far less than what they paid for them.

And now they're making the same mistake again. They don't recognize that our economy is moving through the economic winter season now… a season that will see gold collapse to $700/ounce, a tug of war between deflation and inflation that'll crush savers, and the Dow slumping first to 6,000 by 2014/15 and possibly all the way down to 3,300 by 2023. Millions of investors will be slaughtered as this shakeout season unfolds. Worse, they'll miss out on all the opportunities for once-in-a-lifetime investment success.

When you see the cycles — 39 years for the spending wave and 30 years for the commodities cycle — it looks almost impossible to miss. The problem is that most investors don't get to see the macro picture. They tend to focus on short-term cycles that may be nothing more than steps in the broader cycle.

Because that's just what they know.

Knowing the patterns and cycles markets, economies, stocks and commodities follow gives you an advantage over everyone else.

So here are the economic cycles you need to be aware of so you can profit from the opportunities and protect against the coming disasters.

The Most Powerful Cycle of all: The 80-year New Economy Cycle

The 80-year New Economy cycle has four seasons:

- Spring: The Maturity BOOM
- Summer: The Inflationary Bust
- Fall: The Growth BOOM
- Winter: The Deflationary or Shakeout Bust

Since the early ’40s, we have experienced three of these new economic seasons. During the spring of 1940 to 1965, stocks and the economy surged upward. They peaked around the mid-’60s and then deflated during the summer of ’65 to ’80.

Once they reached bottom, they turned back up and investors enjoyed a massive fall season-type boom between 1980 and 2007.

Now, stocks and the economy are heading back down to near early-spring levels. They will only begin to move back up again around 2023, when the New Economy spring is due again.

These seasons have occurred time and again since economies began and stocks joined the party. The booms tend to last 26 years, and the busts around 14 years (give or take a few years on either side of the turn).

If you recognize these cycles, and plan your investment strategies accordingly, you have the power to earn greater profits and avoid catastrophic losses.

What to Expect During This Winter Season

As this winter season unfolds between now and 2023, here are some of the things you can expect:

- Unemployment will remain high.
- Housing prices will fall an additional 15%, despite the biggest stimulus plan in history and the lowest mortgage rates in 40 years.
- State and municipal governments will be forced into default, especially at the city and country level. Their budgets are already in crisis and the Federal Reserve is running out of money with which to cushion these institutions.
- Commodities will continue to fall, with gold heading for $700 an ounce (if not lower) and oil heading for $10 a barrel).
- China’s bubble will explode sooner rather than later, sending the global economy into a tailspin.
- And Europe will remain weak, if not weakening when stalwarts like Germany careen off their very own demographic cliffs.

All of this will put the Dow and other indexes onto a volatile roller coaster ride that could end with the Dow losing as much as 70% by 2023.

To survive, you must implement the right strategy for this season. So here’s what to do.

What to Put into Your Winter Portfolio NOW

This Shakeout Season, which started in 2007, is one of deflation and depression. The businesses that barely survived the crash in the early 2000s — most of them in the growth sector — will go under now.

Only the fittest will survive to see the next season. They will become the next Fortune 500 leaders.

Asset sectors that bubbled during the summer season will experience a massive correction — like real estate and credit markets — and then they will under-perform for most of the next 13 to 14 years.

Expect to see three stages during this winter shakeout. We saw a great crash as the bubbles burst in 2007. The next stage is a recovery and bear market rally. This began in 2012 and should extend through 2014. During the last stage, there's a final recession and slowdown. This will run from 2014 to 2023.

It is crucial you change your long-term investment strategies now. Here's what we recommend you do…

Step #1: Prepare to sell stocks as soon as a crash looks increasingly imminent. Be sure to watch your email and to read all your issues of *Boom & Bust* because we'll send you alerts and recommendations when the time comes to run for the exits.

Step #2: The Dow could blow above 17,000, before the anticipated crash, so take advantage of that. Bet on the U.S. dollar rising against the other major global currencies as it did in the last financial crisis of 2008. The ETF UUP is one way to play this trend as would many dollar bull funds.

Step #3: Allocate a percentage of your portfolio to 30-year Treasury bonds if yields rise to 4.7%. The next financial meltdown will bring deflation and that means falling yields and rising bond values to you. You also get to lock in higher yields for predictable income.

Step #4: Sell any remaining gold and silver holdings if gold rallies back to $1,400 or higher.

2 Investments to Make *After* the Next Crash

Step #5: Look to invest in Asian stocks, primarily those focused on India and Southeast Asia, after the next global crash.

Step #6: Look to add health care stocks to your portfolio, especially biotech, medical devices and pharmaceuticals.

5 Asset-Protection Steps to Take

Step #7: On the real estate front, if want to retire and buy a house in Southern Florida, the Caribbean, Arizona, Idaho, Vermont, or British Columbia, wait until 2016 — at the very least — and likely into 2016. If you're financing a home between now and 2015, use adjustable rates mortgages that lock in for 3 years and then refinance to lock in at very low 30-year fixed rates from around 2016 forward.

Step #8: If you want to buy a car this year, don't. Rather lease it for the next two to three years. Buying now will only result in significant depreciation. Instead, let the bank take the risk of falling car prices!

Step #9: Maximize your 401K and matching contributions because surviving this economic Winter season is about accumulation of cash that can be redeployed in the next crash and minimizing taxes.

Step #10: Buy annuities and variable universal life policies. You will have to alternate between fixed annuities, when interest rates are higher, and variable annuities, when stocks crash and are lower in value. They're important tools for deferring taxes during your earning years, minimizing taxes during your retirement years, passing down assets to your children, and offering some protection against downside risk.

Bottom line: Now is the time take the steps you need to prepare for the future.

As a starting point, use the guidelines we have given you in this report to position your investment portfolio and financial affairs to sail smoothly through what's ahead. However, be aware that while the trend ahead will be down, volatility will be the order of the day. During some periods, investments in particular stocks would be very profitable. During others, they'd be costly. During the decade ahead, timing will become increasingly important to your success. That's why you should also follow our weekly email alerts and monthly issues of *Boom & Bust* closely. That's where we'll tell you what's coming next, and what to do about it. How to adjust your financial plans and investment portfolio for maximum benefits and minimum pain. In short, we'll guide you step by step. Gain access here: ***Boom & Bust***.

About *Economy & Markets*

In 1989, Harry S. Dent wrote the book *Our Power to Predict*. In it, he revealed how an investor could use demographic trends to accurately predict the direction of the markets, sometimes decades in advance.

Since then, Harry and his business partner Rodney Johnson have been using this New Science of finance to accurately identify booms and busts well ahead of the mainstream.

They gained national attention for their work in warning investors of the 2008 credit crisis and subsequent stock market collapse, many months before it happened.

But this was not the first time they were "on the money" with their big picture forecasts.

For example, in 1989 Harry accurately forecast the Japanese economic collapse and the multi-decade depression in Japan that would follow.

He also called a Dow of 10,000 by the early 2000s at a time when most economists, politicians, businessmen, analysts and investors were expecting the exact opposite. The Dow broke the 10,000 barrier for the first time on April 5, 1999.

In other words, they accurately predicted most of the major economic and stock market events that could have made you substantially richer over the past 20 years.

How do they do it? Well, while most economists focus on short-term trends… policy changes… technical indicators… elections — things that are volatile, unstable and can change from day-to-day — Harry and Rodney focus on long-term trends. Demographics. Business cycles. Human behavior patterns. Things that have demonstrated themselves over hundreds (even thousands) of years to be consistent, predictable and measurable.

They study the past to predict the future… an approach that enables them to forecast years into the future with an incredible degree of accuracy. Then they make minor tweaks and adjustments in response to short-term events that occur along the way.

And that's what they bring to you in *Economy & Markets*, so you'll know what's coming next… where the immediate opportunities are… and where to park your money for the longer term.

As a *Economy & Markets* subscriber, you will know, for example, when it's time to start profiting from the rise of specific emerging market economies (it's not now, despite all the hype about these markets). And exactly what industries and investments will hand you the fastest profits, first.

You'll learn when commodities will likely reach their peak in their cycle and how to ride the gains. You'll also learn when they'll turn down and what investments to make to profit from any moves down.

And you'll learn when the property market will turn up again… you'll learn when, money markets and bonds would be a better investment than stock allocations… and when not.

You'll be ahead of the markets on every boom and bust… access the tools you can use to prepare yourself to survive and prosper.

Meet the Experts

Harry S. Dent Jr.
Editor

Harry studied economics in college in the ’70s, but found it vague and inconclusive. He became so disillusioned by the state of his chosen profession that he turned his back on it. Instead, he threw himself into the burgeoning New Science of Finance where identifying and studying demographic, technological, consumer and many, many other trends empowered him to forecast economic changes.

Since then, he’s spoken to executives, financial advisors and investors around the world. He’s appeared on “Good Morning America,” PBS, CNBC and CNN/FN. He’s been featured in *Barron’s, Investor’s Business Daily, Entrepreneur, Fortune, Success, U.S. News and World Report, Business Week, The Wall Street Journal, American Demographics* and *Omni*. He is a regular guest on Fox Business’s “America’s Nightly Scorecard.”

Harry has written numerous books over the years. In his book *The Great Boom Ahead*, published in 1992, he stood virtually alone in accurately forecasting the unanticipated boom of the 1990s. That same year he authored two consecutive best sellers: *The Roaring 2000s* and *The Roaring 2000s Investor* (Simon and Schuster). In *The Next Great Bubble Boom*, he offered a comprehensive forecast for the following two decades.

In *The Great Depression Ahead*, he outlined how the next great downturn is likely to unfold in three stages, with an interim boom stage between 2012 and 2017 before the long-term slowdown finally turns into the next global boom in the early 2020s.

In *The Great Crash Ahead*, he outlines how this next great crash is likely to unfold in the coming months. He explains why there is nothing the government can do to protect us as deflation takes hold of the economy.

Harry’s latest book, *The Demographic Cliff, How to Survive and Prosper Dueing the Great Deflation of 2014–2019*, shows why we’re facing a “great deflation” after five years of stumilus — and what to do about it now.

Today, he uses the research he developed from years of hands-on business experience to offer readers a positive, easy-to-understand view of the economic future.

Harry got his MBA from Harvard Business School, where he was a Baker Scholar and was elected to the Century Club for leadership excellence.

Rodney Johnson
Editor

Rodney works closely with Harry to study how people spend money as they go through predictable stages of life, how that spending drives our economy and how readers can use this information to invest successfully in any market.

Rodney began his career in financial services on Wall Street in the 1980s with Thomson McKinnon and then Prudential Securities. He started working on projects with Harry in the mid-1990s.

He's a regular guest on several radio programs and is featured on television where he discusses economic trends ranging from the price of oil to the direction of the U.S. economy. He too is a regular guest on fox Business's "America's Nightly Scorecard." He holds degrees from Georgetown University and Southern Methodist University.

Adam O'Dell
Investment Analyst

Adam has one purpose in mind: to find and bring to subscribers investment opportunities that return maximum profit with the minimum risk. He achieves this with his perfect blend of technical and fundamental analysis.

Tactically, he does exhaustive back-testing and probability-based research. It's the ultimate partner to the exhaustive research that Harry and Rodney do in the exciting realm of the New Science of investing.

Adam has worked as a Prop Trader for a spot Forex firm. While there, he learned the fundamentals of trading in the world's largest market. He excelled at trading the volatile currency markets by seeking out low-risk entry points for trades with high profit potential.

Aiming to find the best opportunities across all asset classes, Adam expanded into the commodities, equities and futures markets.

An MBA graduate and Affiliate Member of the Market Technicians Association, Adam is a lifelong student of the markets.

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