

*Monetary Showdown
Fasten Your Seat Belts!*

AAII
Los Angeles Chapter
March 2023

**James Stack, President
InvesTech Research**

InvesTech/SFM Offices



1987



Expert advice on Investing

From his office overlooking
Whitefish Lake in the Rocky
Mountains of Montana, Jim

Stack foresaw

the market crash of Oct.

On Sept. 30,

newsletters told

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fund investors w

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Monetary policy

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low a policy of benign neglect.

From his office overlooking
Whitefish Lake in the Rocky
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Stack foresaw the stock-mar-
ket crash of Oct. 19.

On Sept. 30, his *InvesTech*
newsletters told stock investors
to move to 94% cash. Mutual
fund investors were advised to
go to 75% cash and leave the
rest in a precious metals fund.

2000

The Dallas Morning News

From afar, an analyst gets it right

InvestTech Research editor James S.
Whitefish Lake in the shadows of

The view
It's clearer

By BILL DEENER
Staff Writer

WHITEFISH, Mont. — Just over
ago, James Stack stood before 5,000
at an investment trade show in Las
and warned of the coming stock
collapse.

Many investors have taken leave
their senses, he told the attendees
May 16, 2000, conference at Bally
the "losses will change their lives"
prediction, which proved accurate,
the most remarkable because none
160 other market experts who spoke
show agreed with Mr. Stack's
sentiment.

"I was the only bear at this confa
and the Nasdaq had already dropped

MAY 2000

Prediction: Stood before 5,000
attendees at an investment
conference in Las Vegas and
warned that the market was on
the verge of collapse.

Reality: When the dust finally
cleared late last year, the
Nasdaq had dropped 60
percent.

July 2007

INVESTECH[®] RESEARCH
MARKET ANALYST

Vol07 Iss08 Technical and Monetary Investment Analysis JULY 27, 2007

4 Weeks Ending July 20, 2007

	High	Low	Last	
Federal Funds	5.34%	5.22%	5.25%	
30yr T-Bonds	5.28%	5.06%	5.06%	
Gold (London PM)	\$681.60	642.10	\$681.60	
	High	Low	Last	
DJIA	14000.41	13337.66	13851.08	12733.78
DJUA	520.77	487.84	511.85	481.29
NASDAQ	2720.04	2574.16	2687.60	2483.74
S&P 500	1553.08	1492.89	1534.10	1446.95
S&P 500 P/E	Current: 16.9		70 yr Avg: 15.6	

BEAR MARKET WARNING FLAGS!

Since our last issue, the DJIA has hit nine new record closing highs. Yet, at the same time, two of our primary indicators have turned bearish; our Housing Bubble Index has dropped into a freefall that rivals the dot-com bust of the late 1990s [see graphic], and breadth has taken a decisive turn for the worse – as noted by these developments...

- The DJIA has closed higher in 5 of the past 8 trading days, but declining stocks outnumbered advancing stocks in 7 of those 8 sessions. That type of negative breadth divergence has occurred only 15 times in 75 years – the majority of which were in bear markets.
- On Monday of last week, the DJIA hit a record high

Housing Bubble Bellwether Index

Internet Index (1995-2002)

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As a consequence, we are moving to a full bear market defensive mode.



has slipped lower. If that isn't a flight to quality, we don't know what is!

As a consequence, we are moving to a full bear market defensive mode. Inside this issue, we discuss what that means for our already conservative portfolio, and reveal which warning flags to watch closely in the coming weeks and months ahead...

March 13, 2009

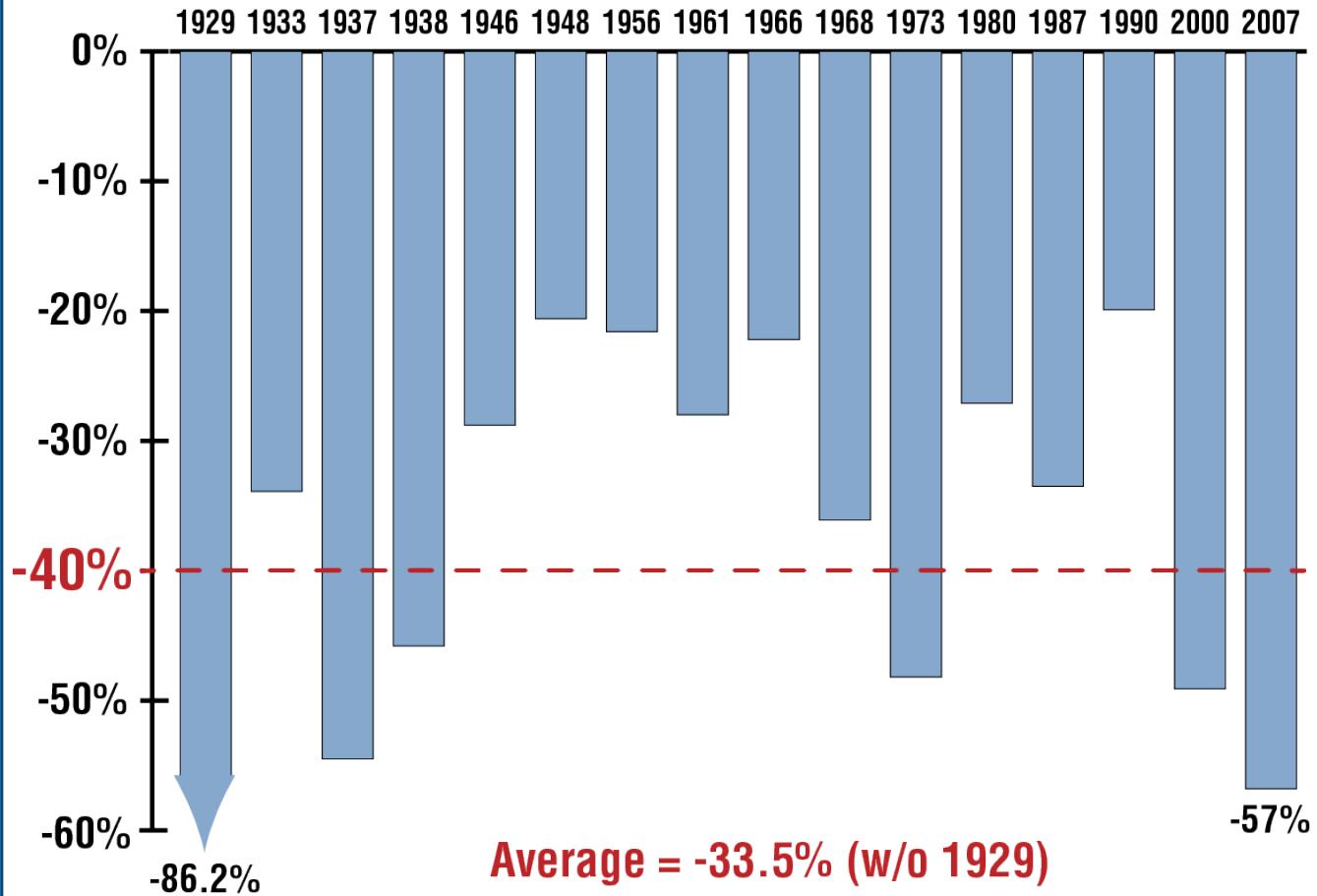


A Buying Opportunity of a Lifetime?

... it is a historically indisputable fact that we are heading toward a buying opportunity of a lifetime.

Bear Market Declines

Percent Decline From Peak to Bottom (S&P 500)



Wall Street's 2023 Forecasts

Firm	S&P 500
Yardeni Research (Ed Yardeni)*	4,800
Deutsche Bank (Binky Chadha)**	4,500
BMO***	4,300
Nuveen (Saira Malik)*	4,300
Jeffries***	4,200
JPMorgan (Dubravko Lakos-Bujas)*	4,200
RBC Capital Markets (Lori Calvasina)*	4,200
Wells Fargo (Chris Harvey)*	4,200
Credit Suisse***	4,050
Bank of America**	4,000
Goldman Sachs***	4,000
HSBC***	4,000
State Street (Guarav Mallik)*	4,000
BlackRock (Gargi Chaudhuri)*	3,930
Citi***	3,900
Morgan Stanley (Mike Wilson)**	3,900
UBS***	3,900
Capital Economics***	3,800
Societe Generale**	3,800
Barclays***	3,675
Average: 4,083	
2022 Year-end Value: 3,840	
Forecast Return for 2023: 6.3%	

* Barron's, ** Bloomberg, *** Yahoo Finance

<i>Business Week</i> 2008 Forecasts	
Firm	S&P 500
Garzarelli Capital (Elaine Garzarelli)	1,780
Birinyi Associates (Laszlo Birinyi)	1,700
Schaeffer's (Bernie Schaeffer)	1,700
UBS (David Bianco)	1,700
Strategas (Jason Trennert)	1,680
Citigroup (Tobias Levkovich)	1,675
BNY Mellon (Leo Grohowski)	1,675
Banc of America (Thomas McManus)	1,625
AG Edwards (Stuart Freeman)	1,575
NY Institute of Finance (Ralph Acampora)	1,530
UMB Financial (William Greiner)	1,520
GMO (Ben Inker)	1,440
Research Affiliates (Robert Arnott)	1,350
Average: 1,612	
2007 Year-end Value: 1,468	
Forecast Return for 2008: 9.2%	

Credit: Bespoke Investment Group

The "Nifty Fifty"

1973-1974 Bear Market Losses

	% loss		% loss		% loss
IBM	-58.8%	Westinghouse Elc	-83.1%	Atlantic Richfield	-35.3%
Xerox	-71.2%	DuPont	-58.4%	Digital Equipment	-58.8%
General Motors	-65.8%	Mobil Oil	-59.8%	Deere & Co.	-57.6%
Exxon	-46.9%	3M	-51.3%	Sperry Rand	N/A
Eastman Kodak	-62.1%	MGIC Investment	-93.8%	Northwest Airlines	-71.0%
General Electric	-60.5%	Texas Instruments	-57.7%	Honeywell	-87.5%
Philip Morris	-50.3%	Kerr Mc-Gee	-50.9%	Motorola	-54.3%
Ford	-64.8%	CBS	-51.9%	Aetna Life & Cas	-63.0%
Burroughs	-74.5%	Warner-Lambert	-68.8%	PepsiCo	-67.0%
AT&T	-27.9%	RCA	-79.4%	Schering Plough	-52.5%
Polaroid	-90.2%	Union Carbide	-38.7%	Goodyear Tire	-63.0%
Texaco	-53.6%	Traveler's	-62.2%	Procter & Gamble	-44.2%
Avon Products	-86.7%	Sony	-80.9%	Eli Lilly	-39.7%
Intl T & T	-81.4%	Continental Oil	-36.5%	Imperial Oil	-61.1%
SS Kresge	N/A	RJ Reynolds	-33.9%	Phillips Petroleum	-55.1%
Sears Roebuck	-66.2%	First National City	N/A	Seaboard Coast Ln	N/A
McDonald's	-72.4%	Standard Oil of CA	N/A		

AVERAGE LOSS -61%

"Recession-Proof" Stocks?

<i>Stock</i>	<i>Revenues</i>	<i>Bear Mkt Loss</i>
Coca-Cola	+ 34%	- 70%
General Electric	+ 31%	- 60%
General Motors	+ 3%	- 66%
Pepsico	+ 48%	- 67%
Philip Morris	+ 34%	- 50%
Walt Disney	+ 30%	- 85%

In spite of higher revenues...these "bear-proof" stocks fell 50-85%

"Recession-Proof" Industries?

<i>Industry</i>	<i>1973-1974 Bear Mkt Loss</i>
Drugs	- 57.6%
Electric Utilities	- 58.4%
Food Wholesalers	- 49.1%
Medical Supplies	- 66.4%
Natural Gas-Dist	- 50.8%
Oilfield Services	- 40.3%
Petroleum Producing	- 55.4%
Toy & School Supplies	- 84.5%

Compiled from: Value Line Groups

*“It’s not how much you make in
the bull market that counts...
It’s how much you keep after the
bear has done its damage.”*

James Stack

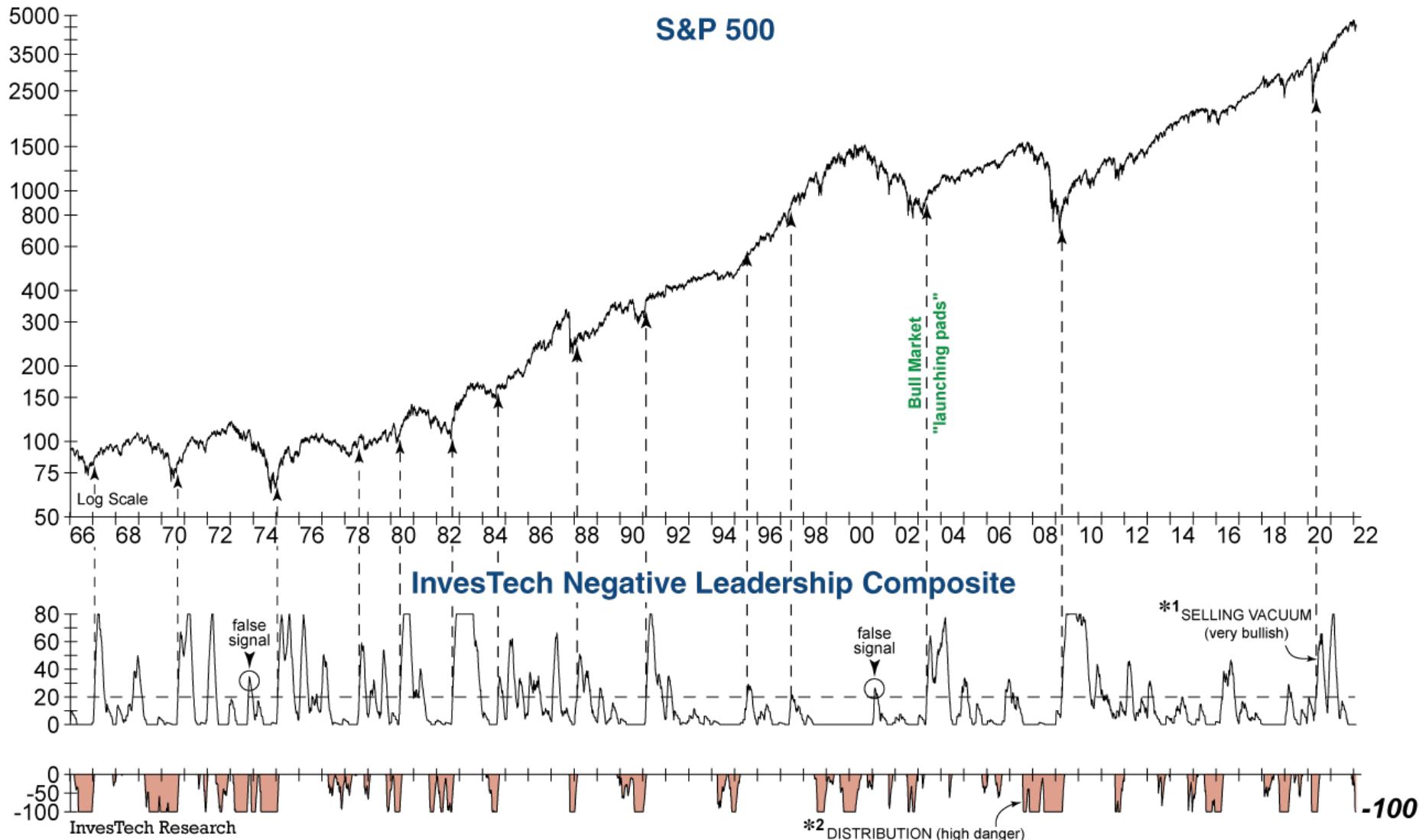
InvesTech graphics from early last year...

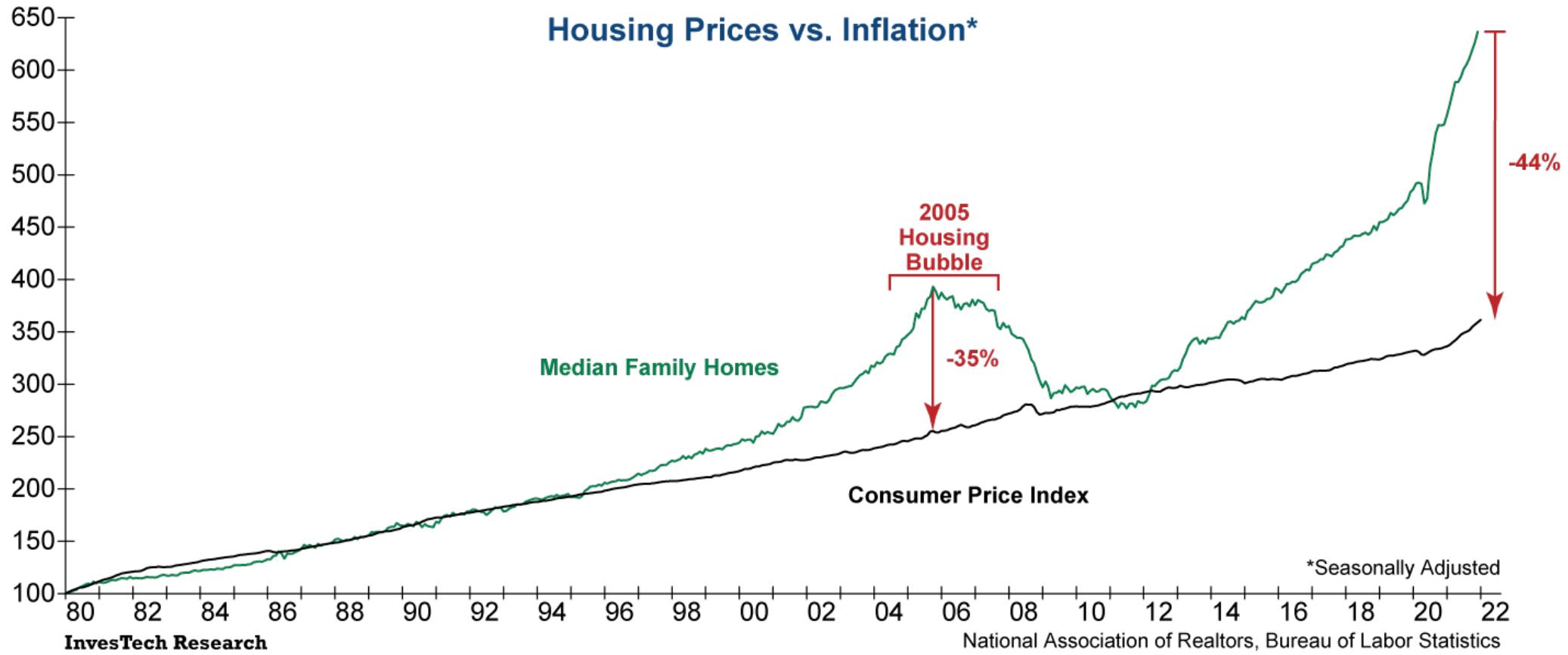
Canary Index vs. Internet Index



New Gorilla Index vs. Original Gorilla Index







InvesTech Housing [Bubble] Bellwether Barometer

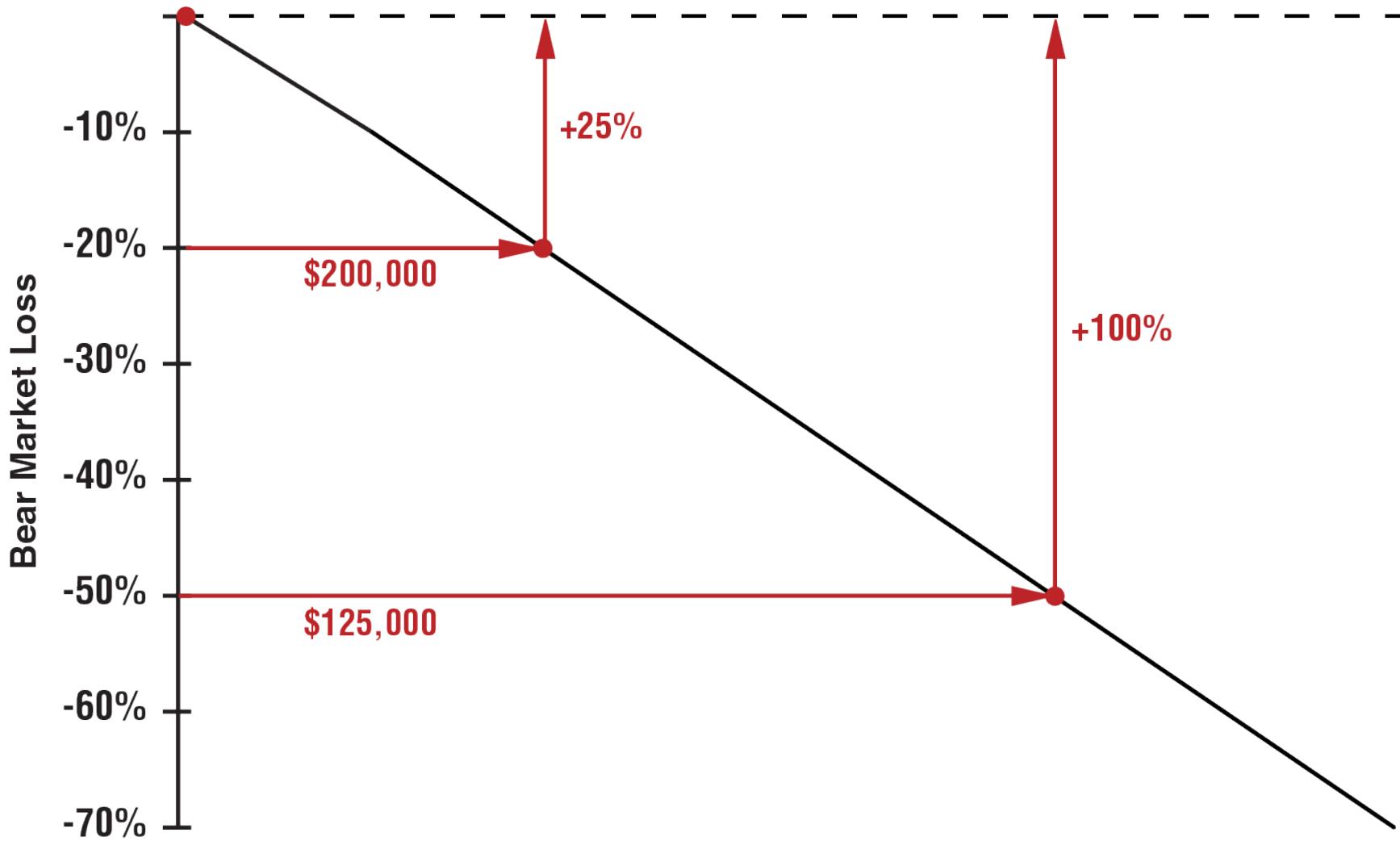


Risk Management is NOT
market timing

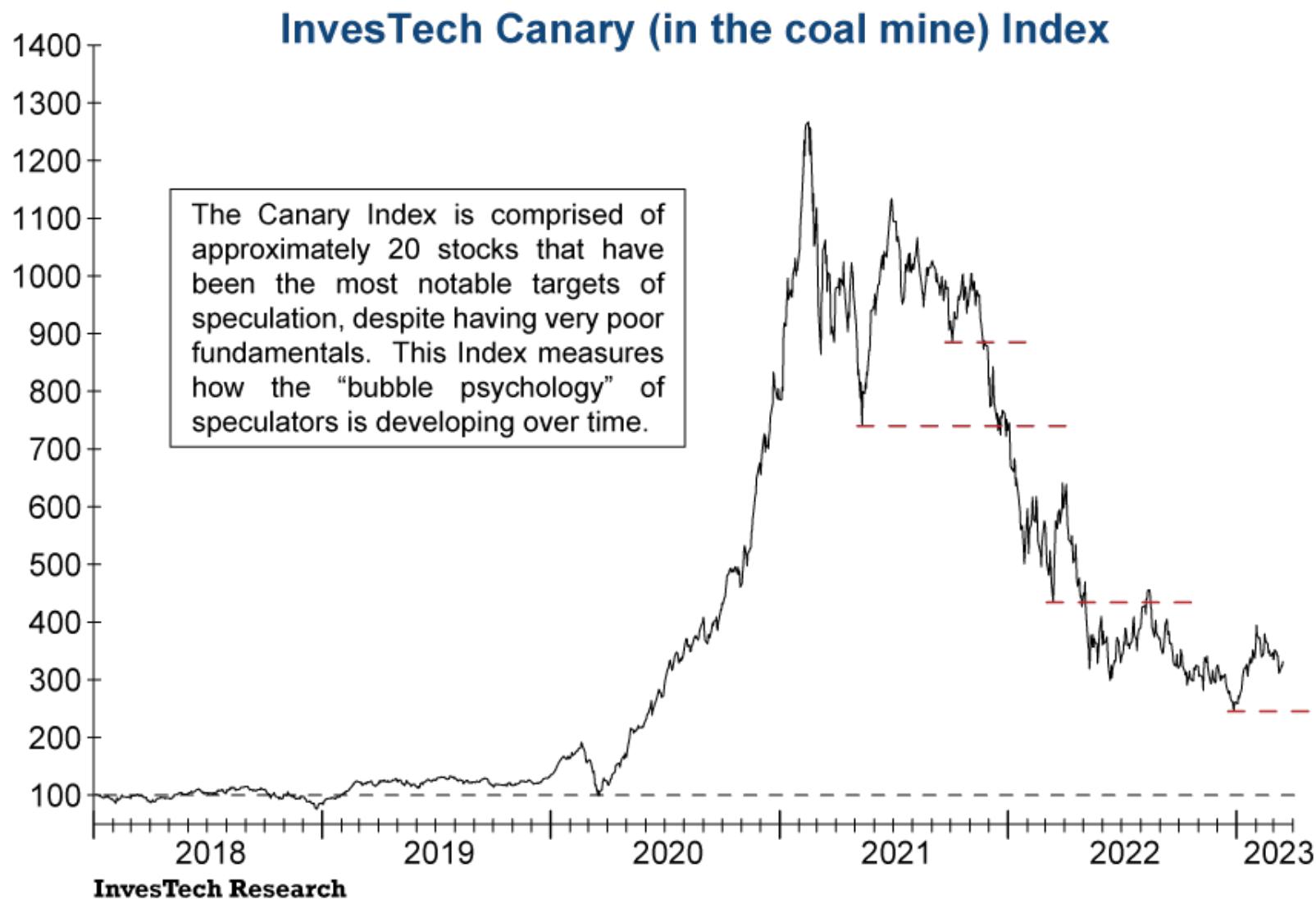
There are only 3 ways to manage risk

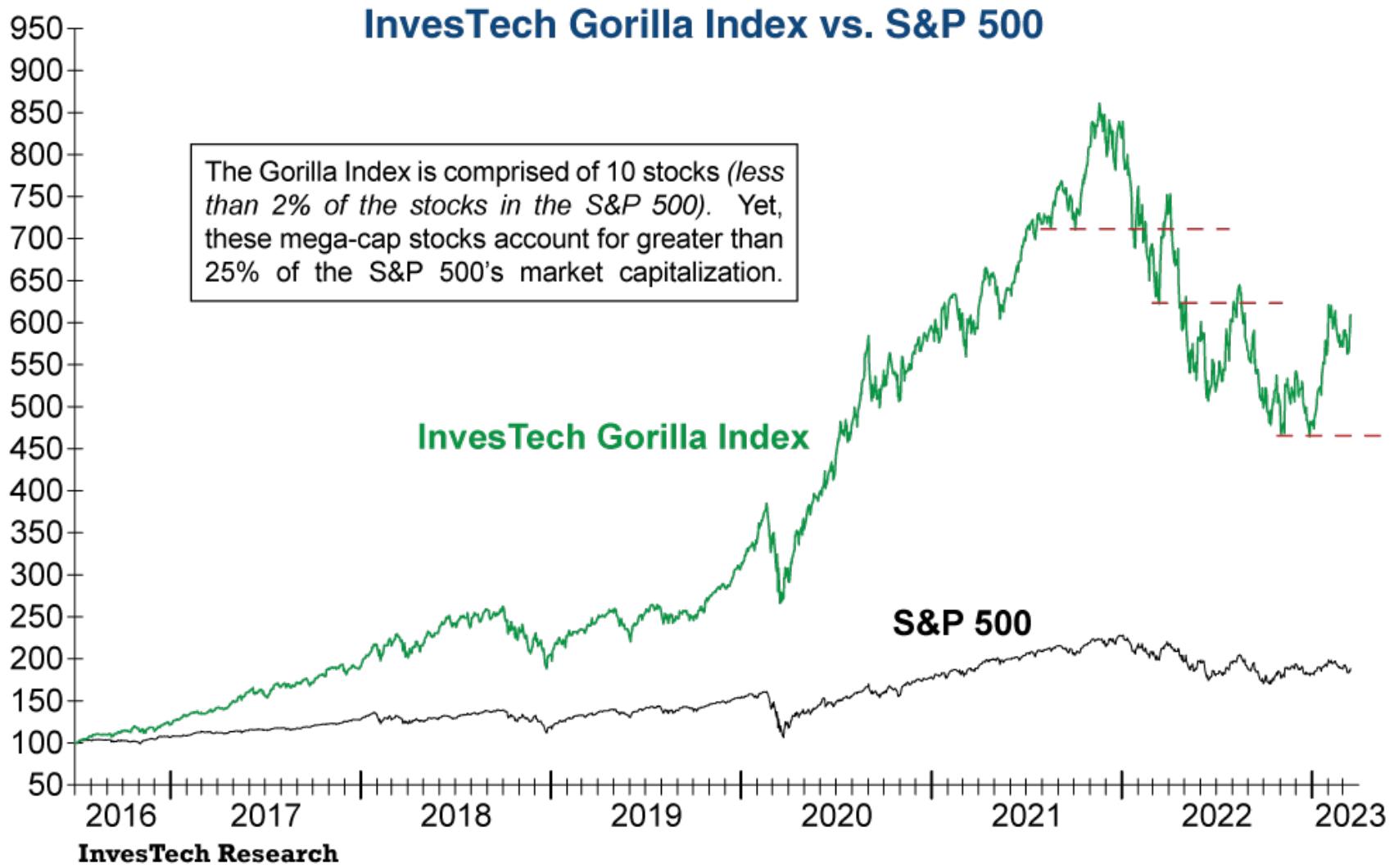
- 1) Portfolio Allocation
- 2) Sector Weighting
- 3) Stock Selection

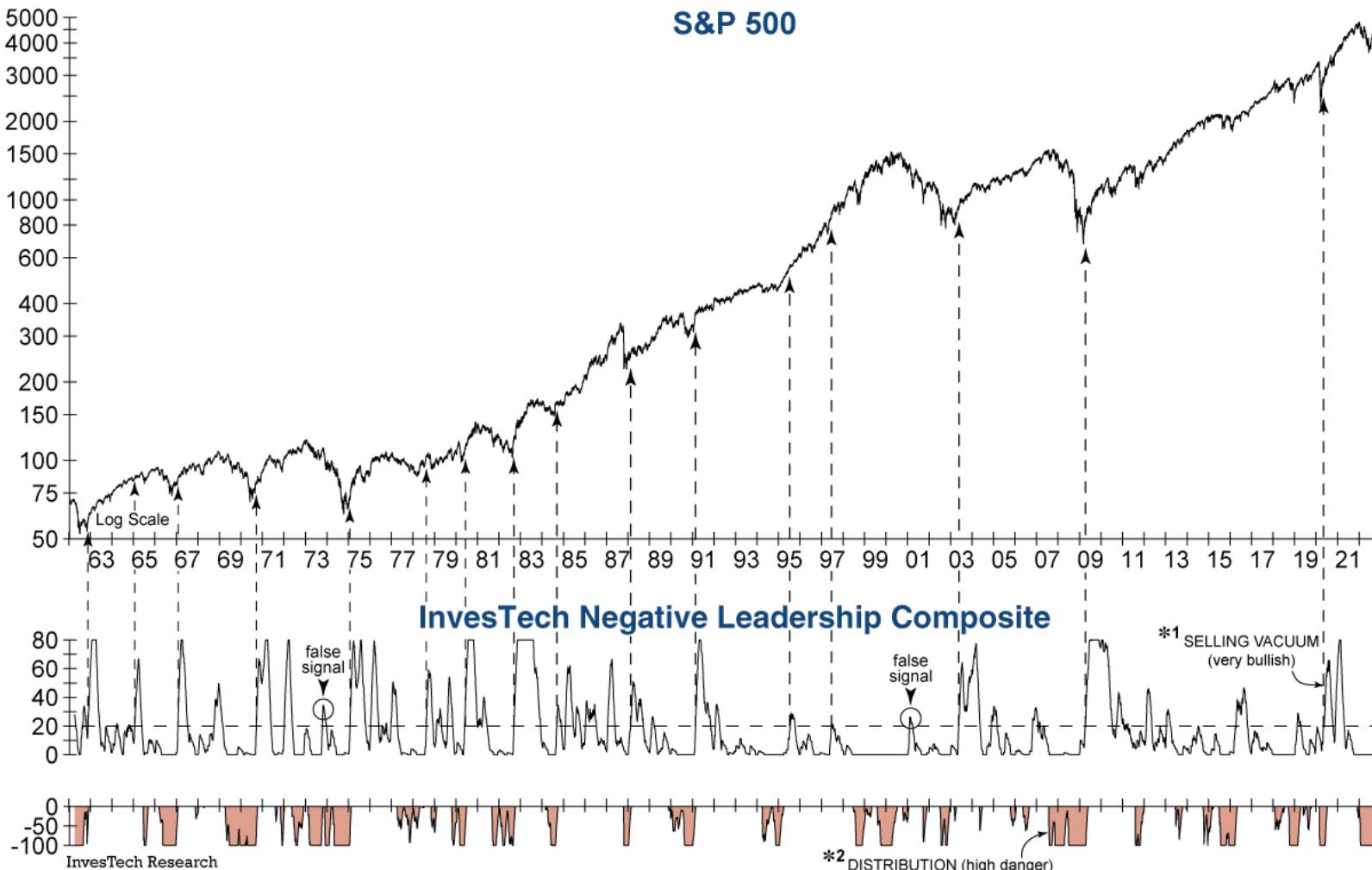
Recapturing Bear Market Losses



Technical







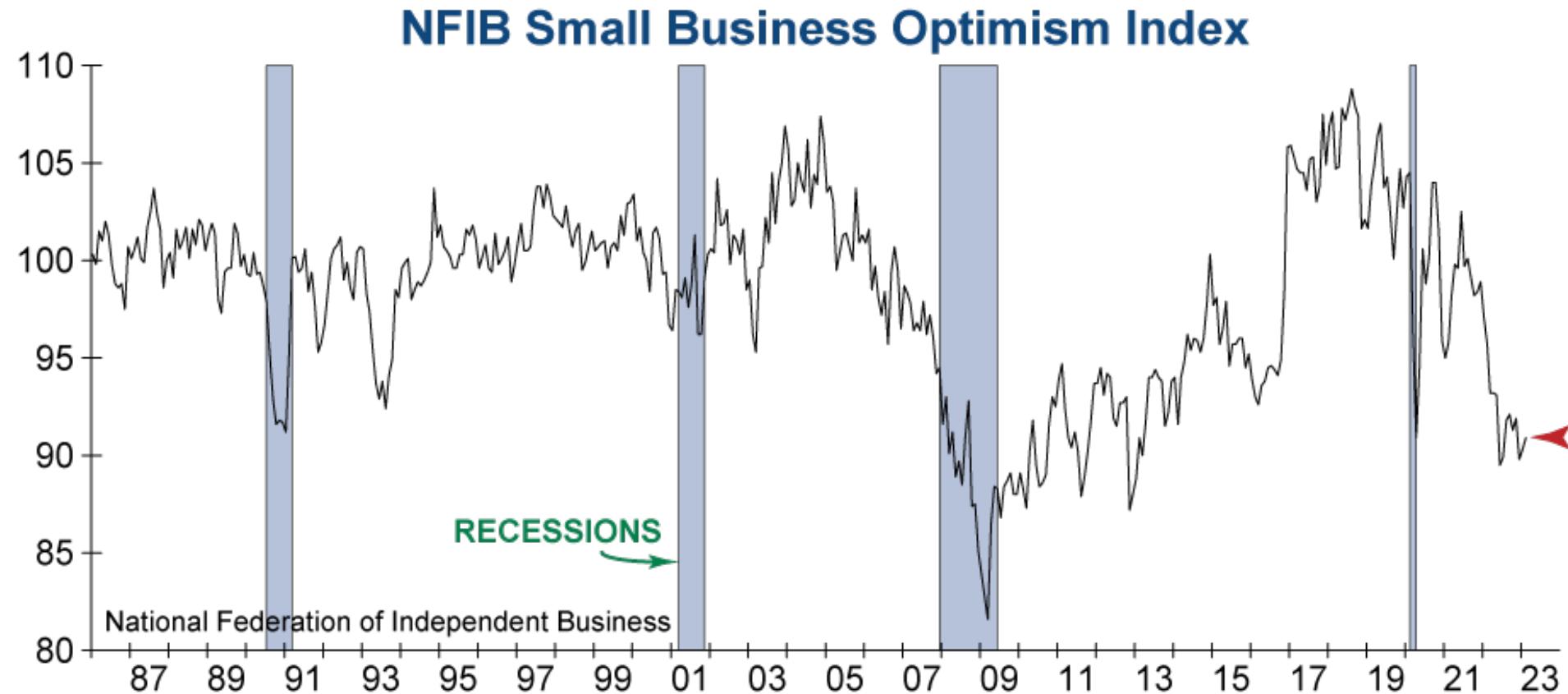
S&P 500 Gain/Loss				
Average:	1mo	3mo	6mo	12mo
	2.0%	3.8%	8.2%	12.5%

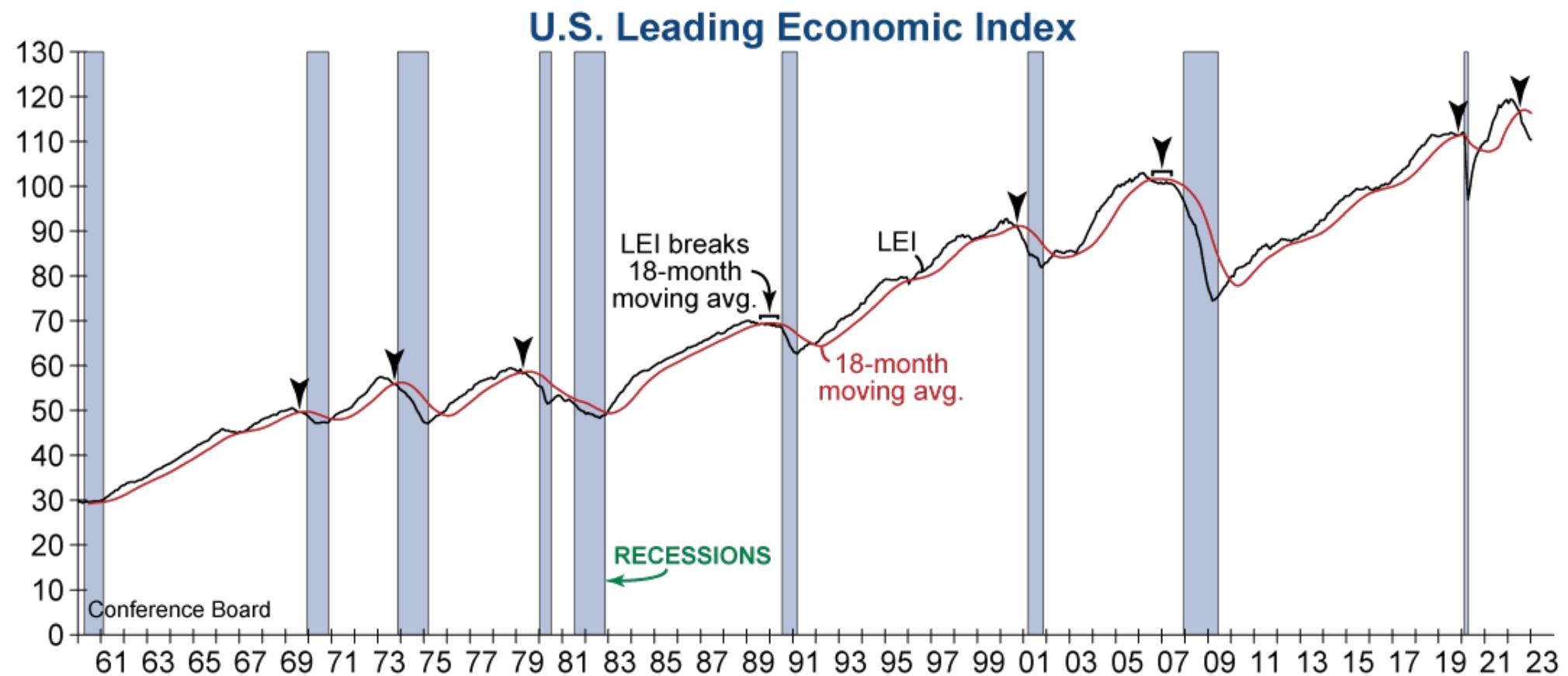
InvesTech Research

Macroeconomic

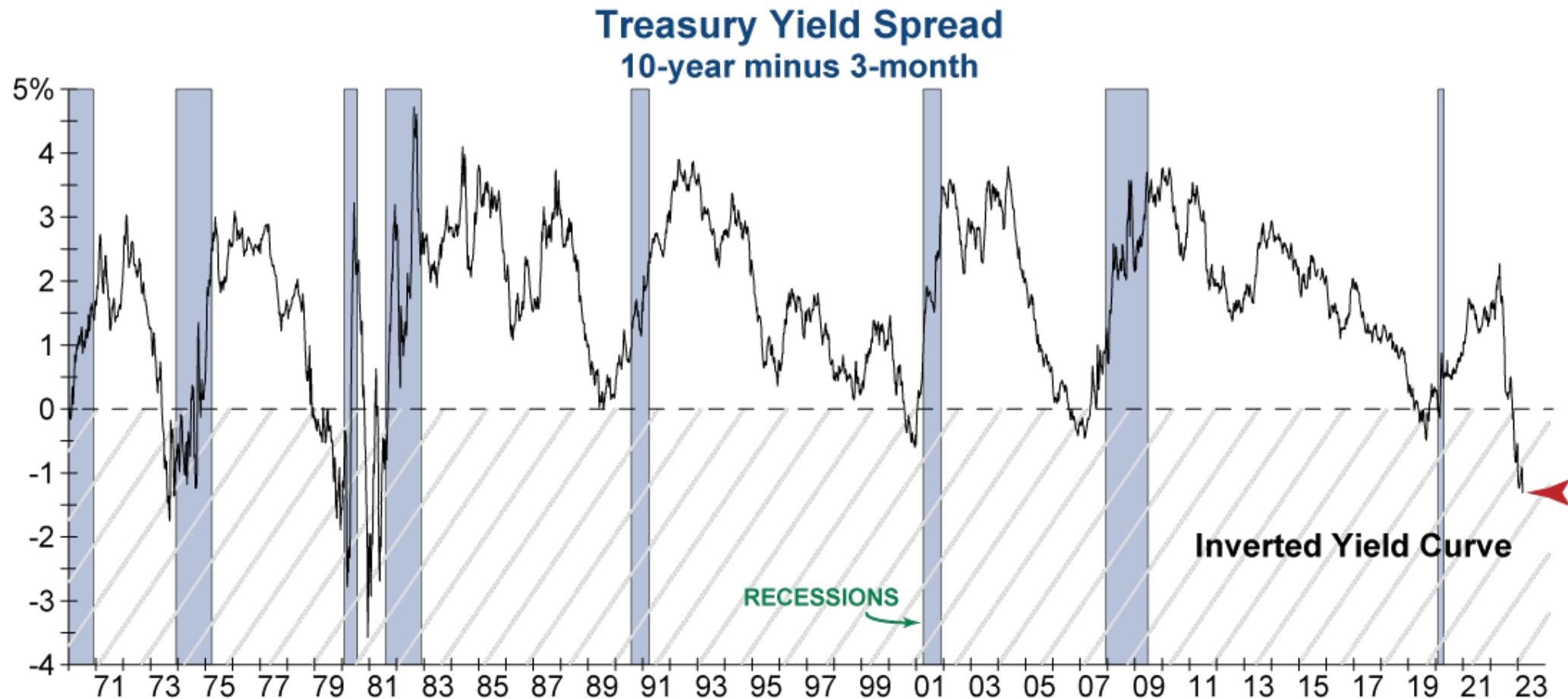
Status of Recession Warning Indicators

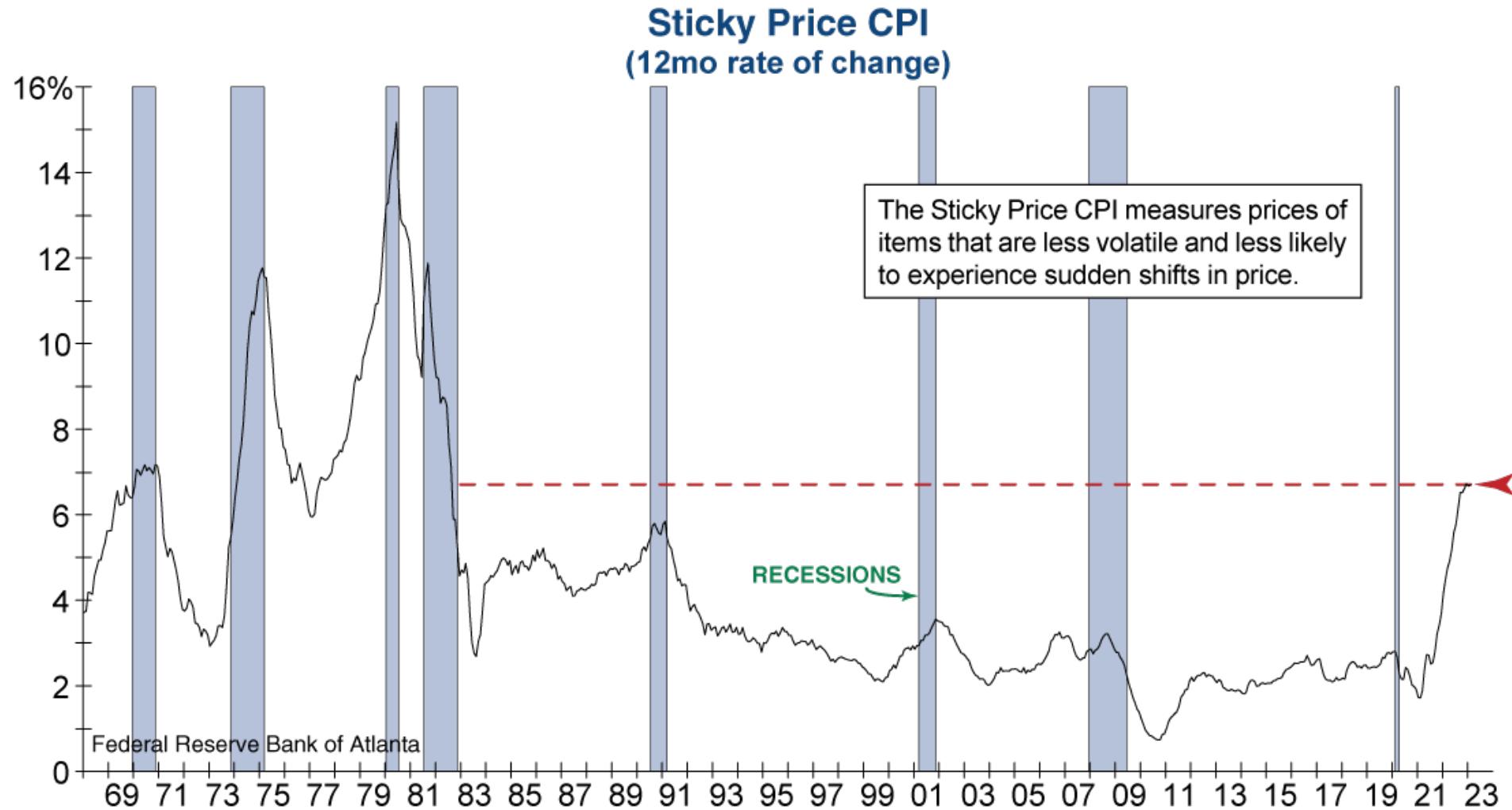


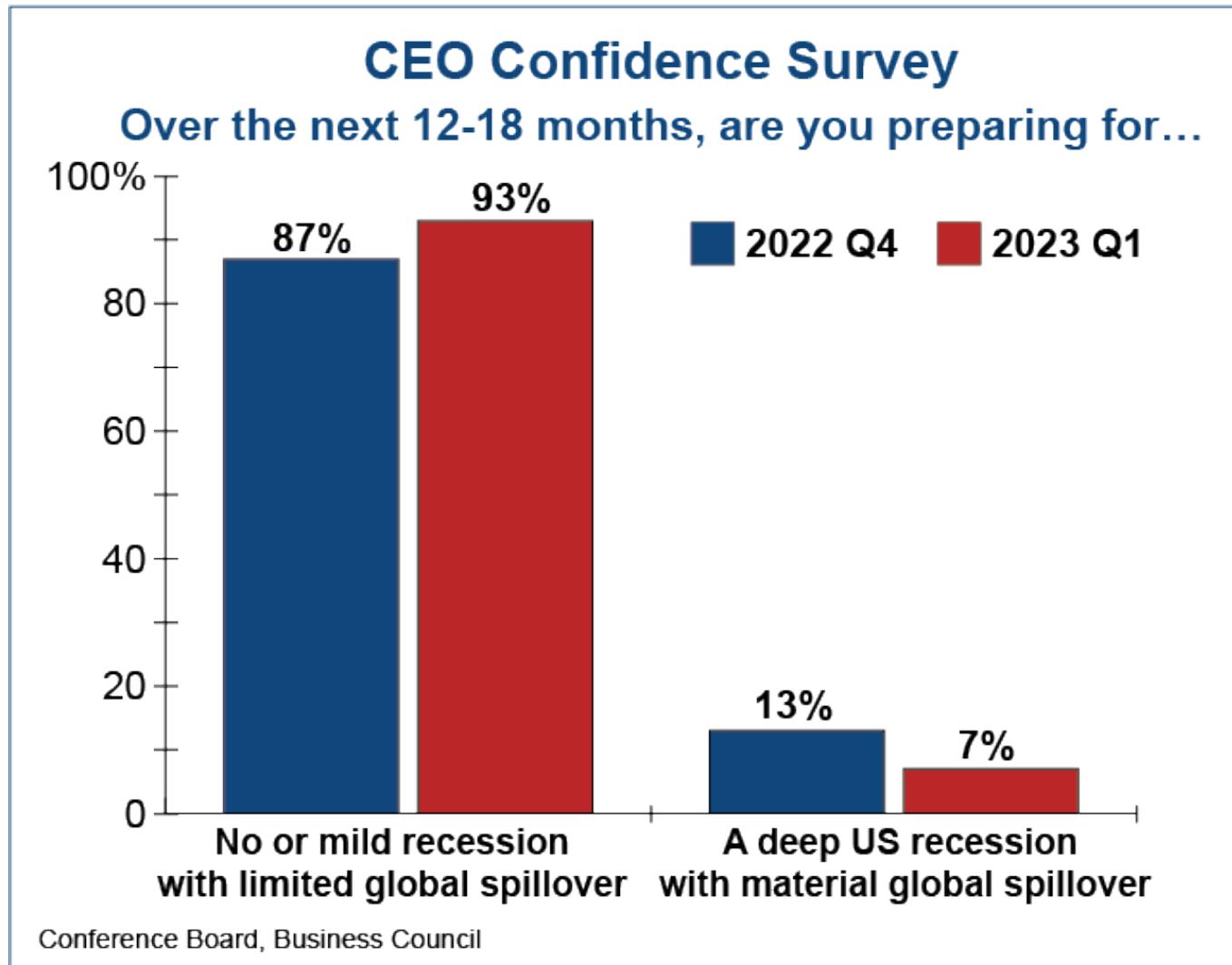




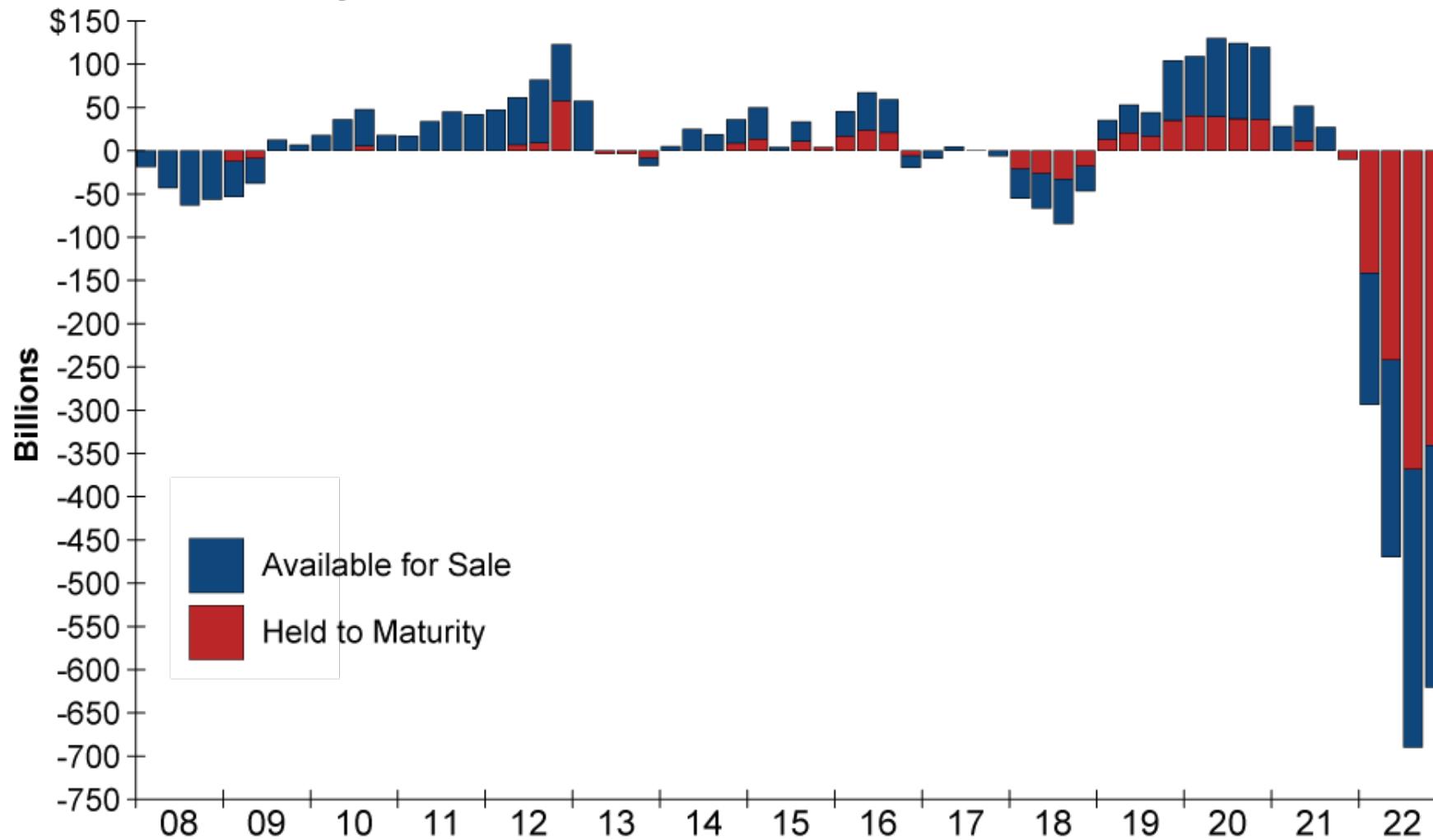
Monetary

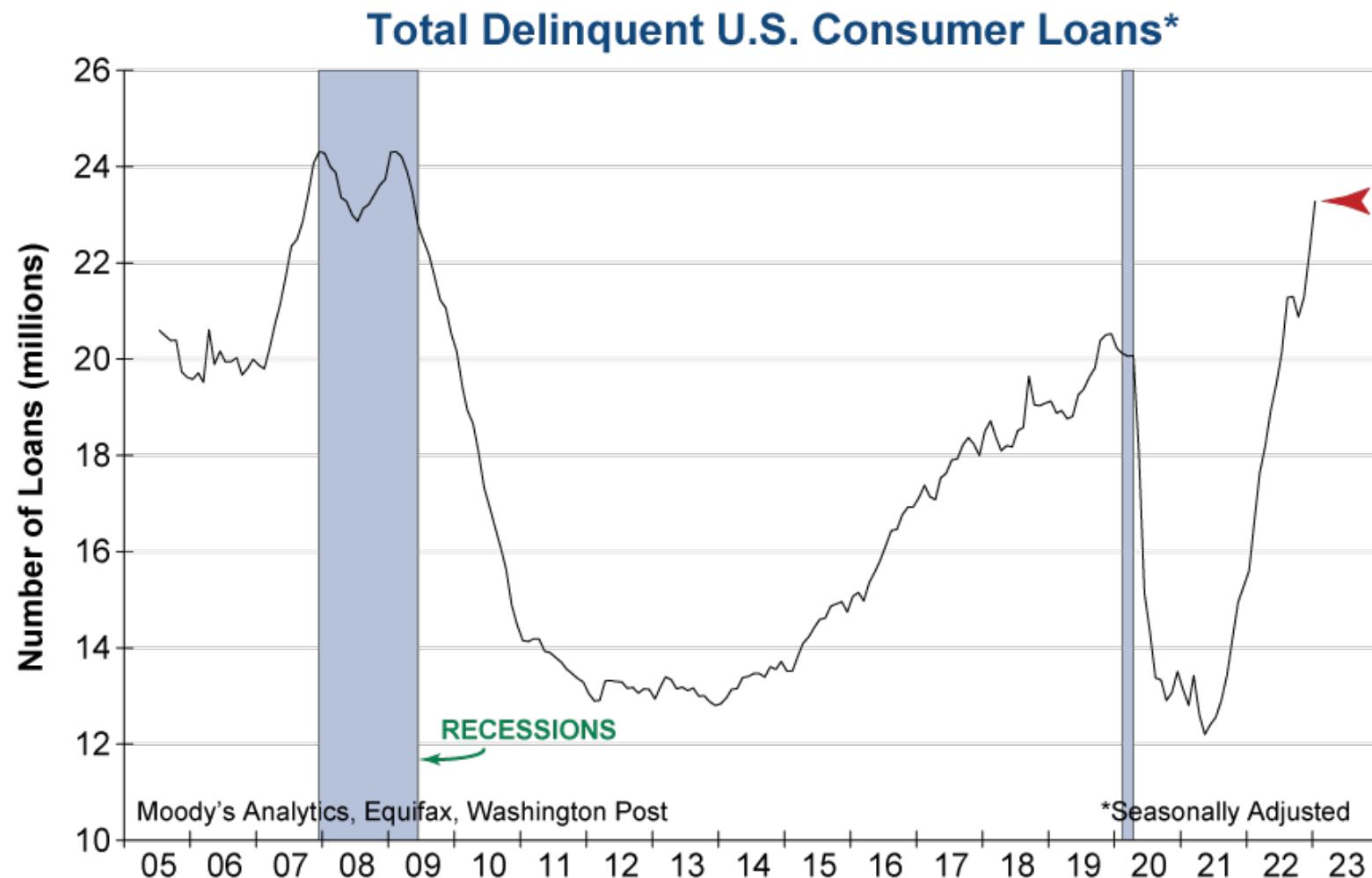




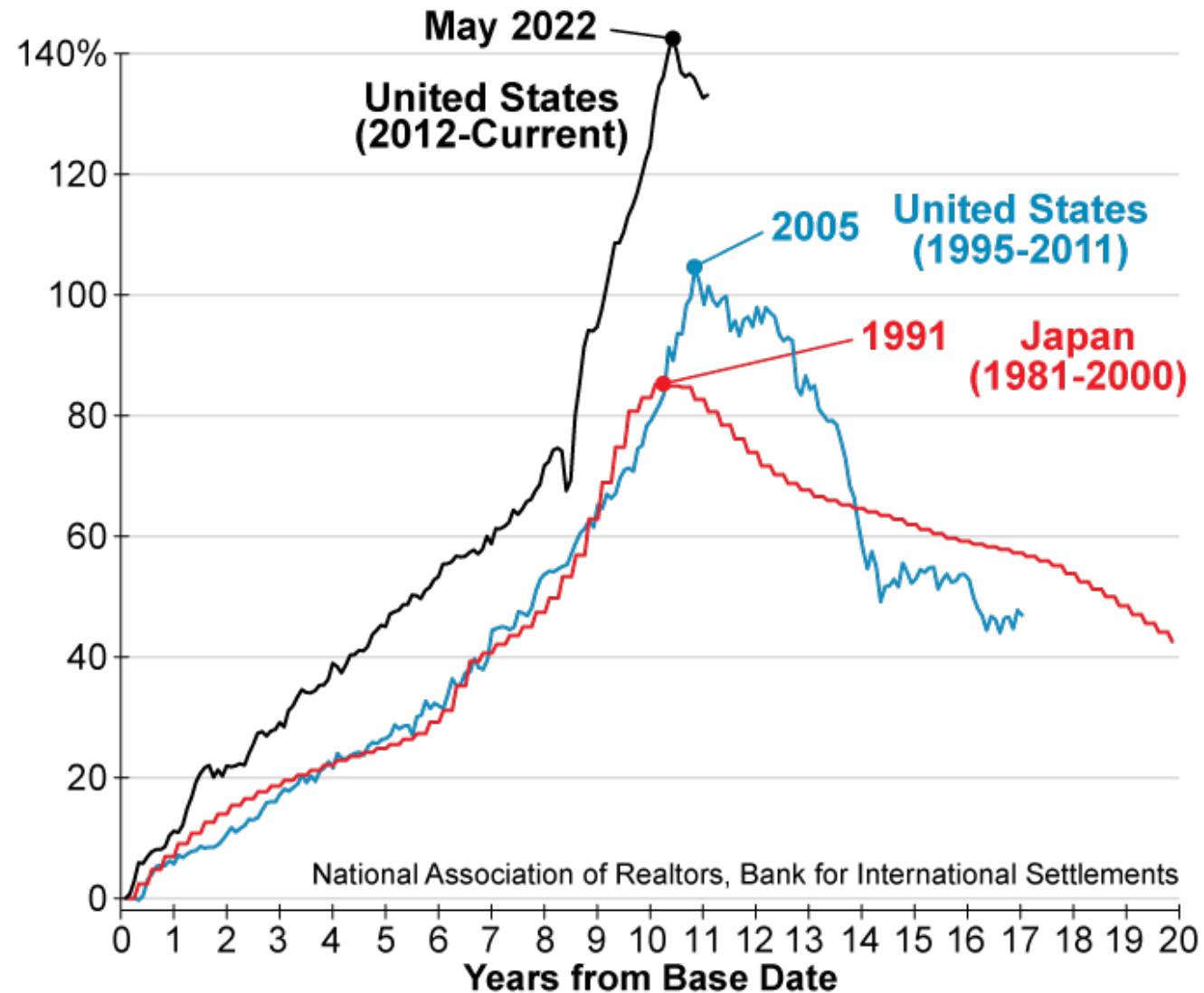


FDIC Reported Unrealized Gain/Loss on Investment Securities





Historic Housing Bubbles versus Today



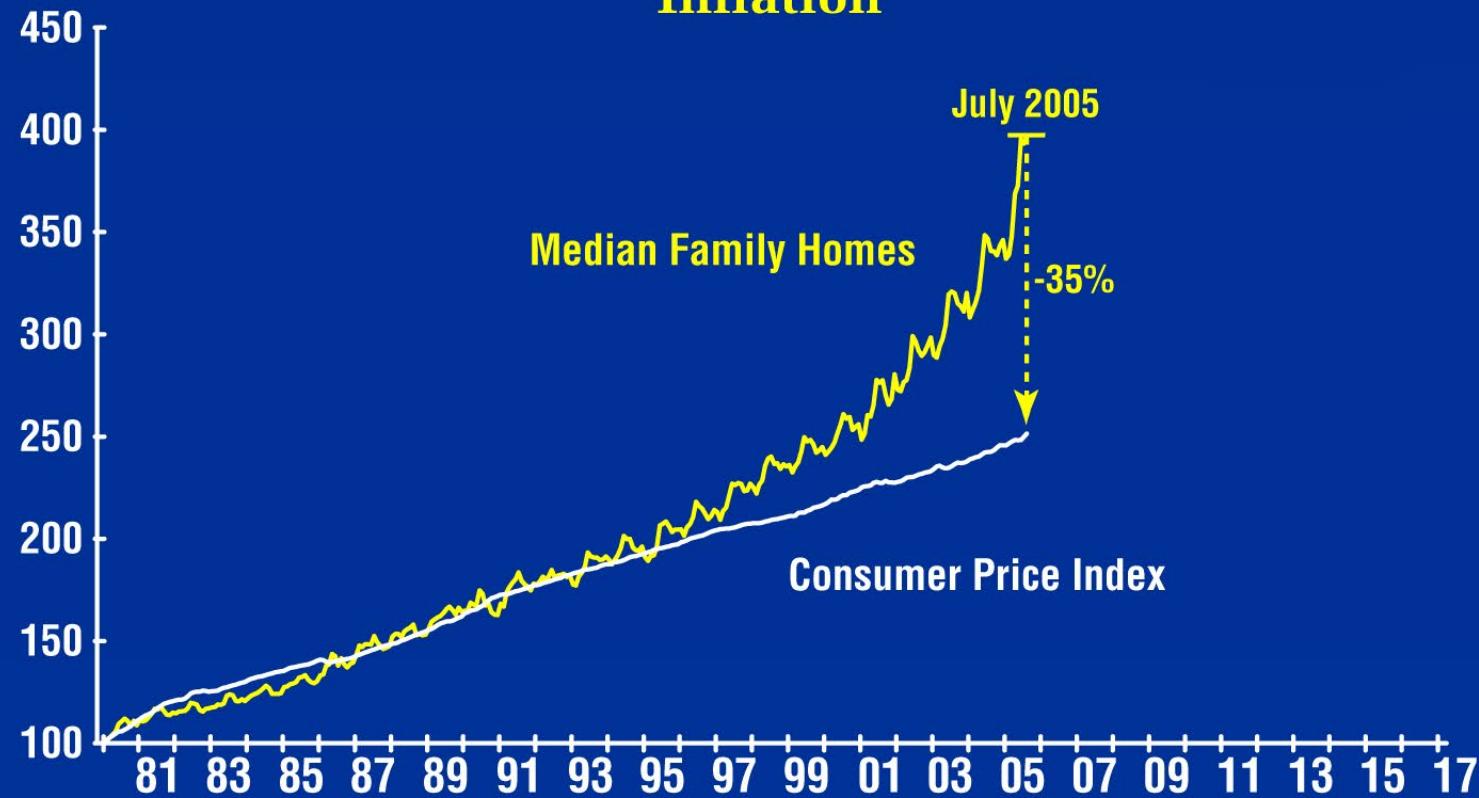
Housing *Achilles Heel*

July 1, 2005

“[We] see a Trillion+ dollar government bailout of the mortgage industry at some point over the next decade... There’s going to be a lot of anger and finger-pointing in the washout, just as there was on Wall Street in 2002.”

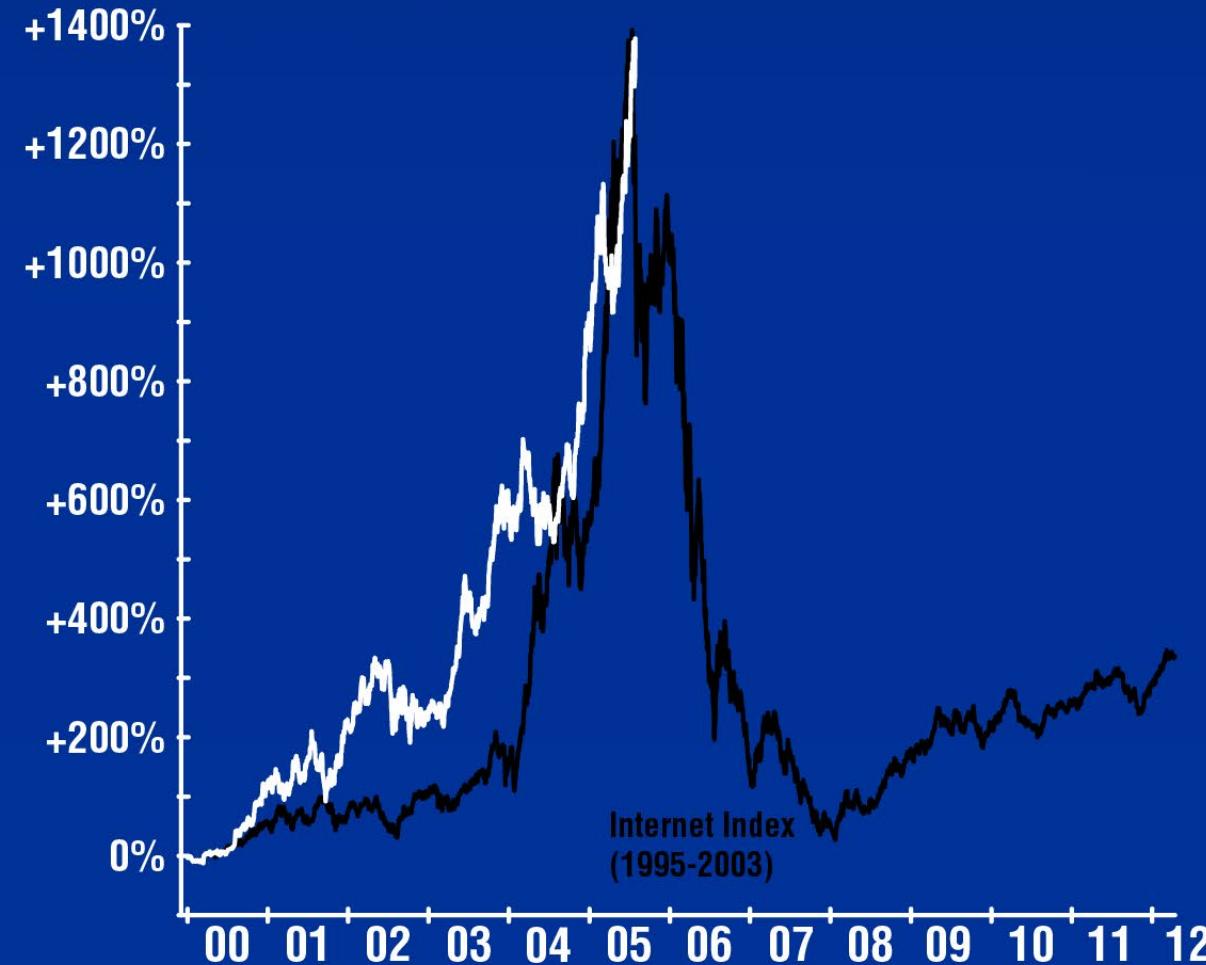
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Housing Prices vs. Inflation

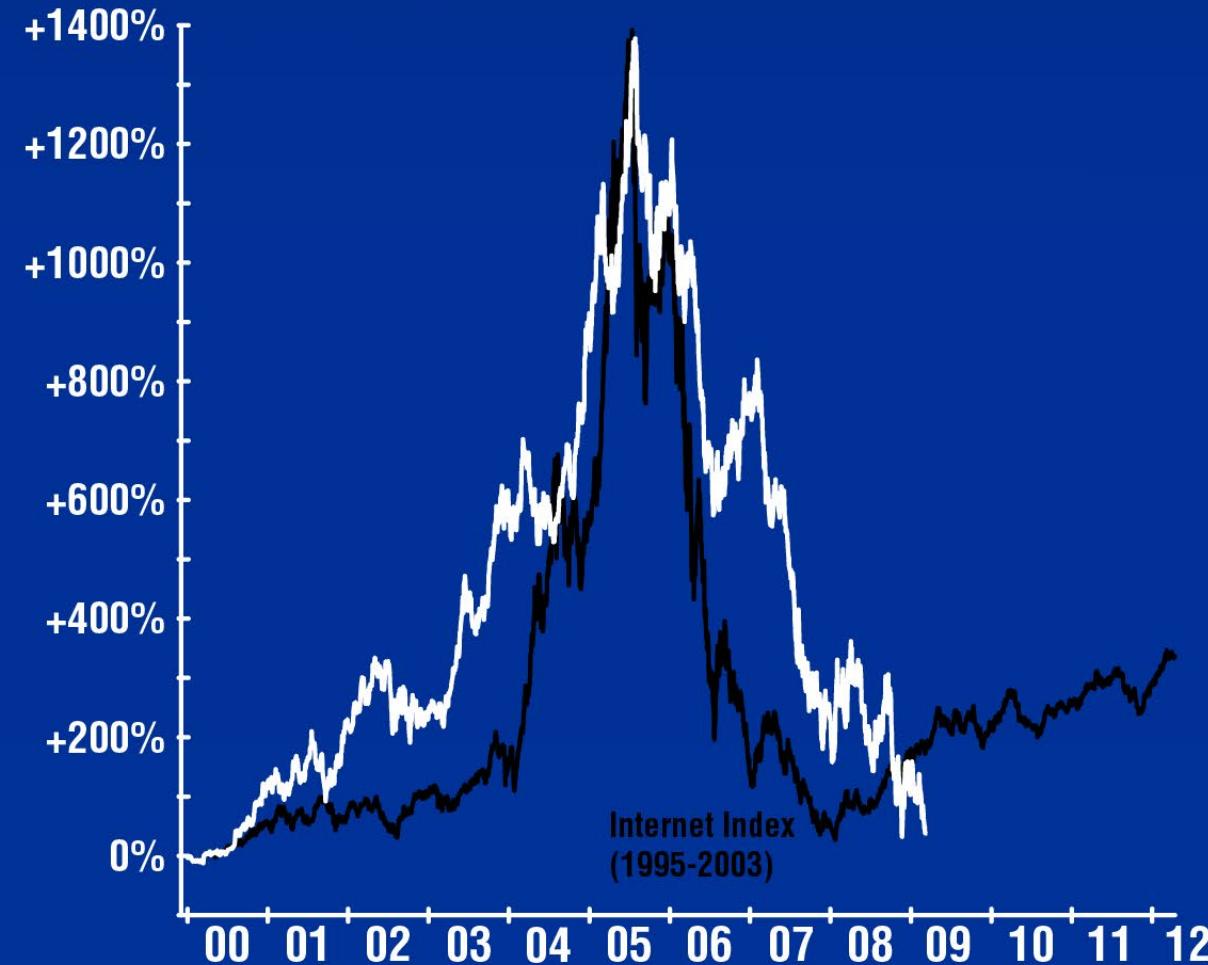


Source: National Association of Realtors, Bureau of Labor Statistics

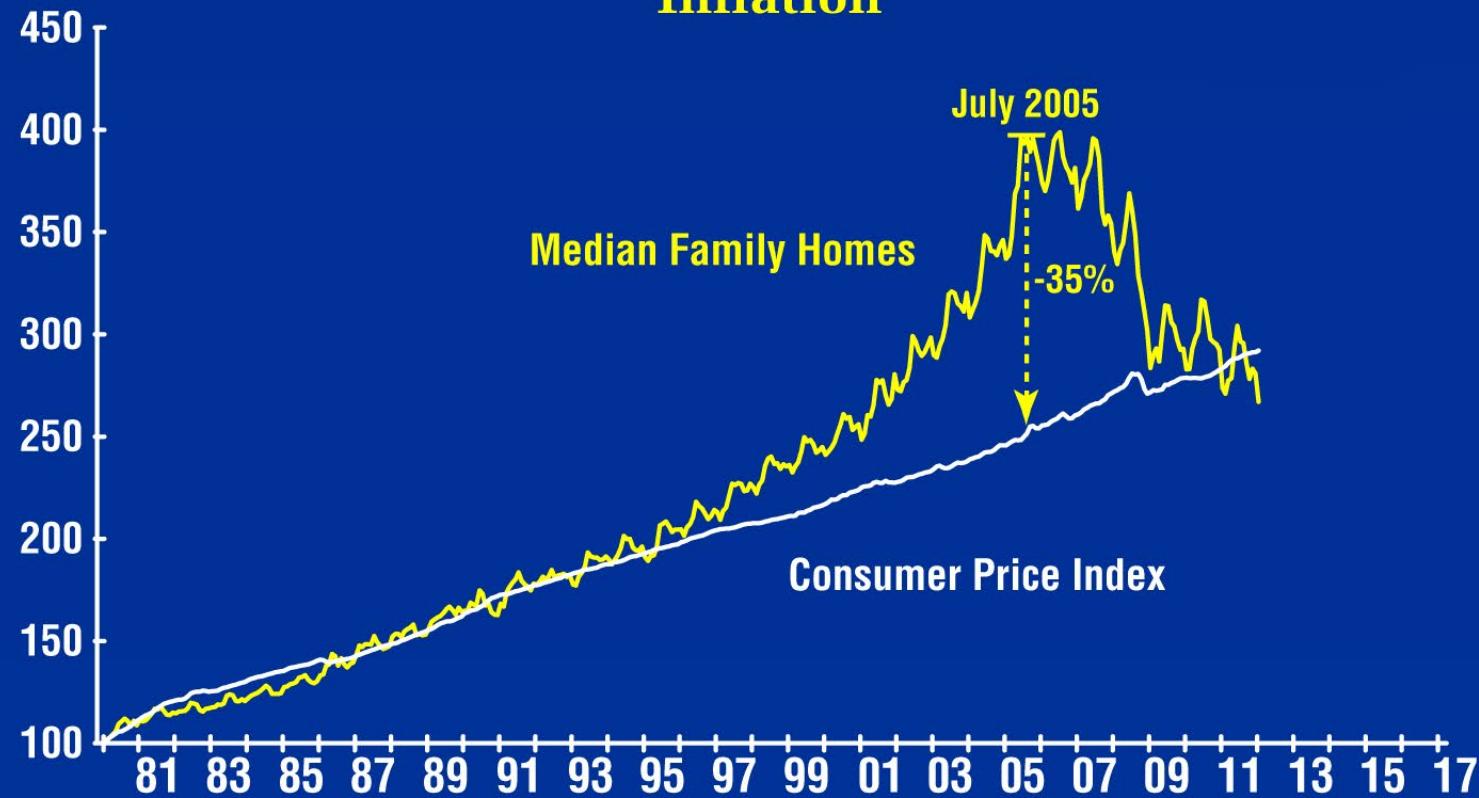
Housing Bubble Bellwether Index



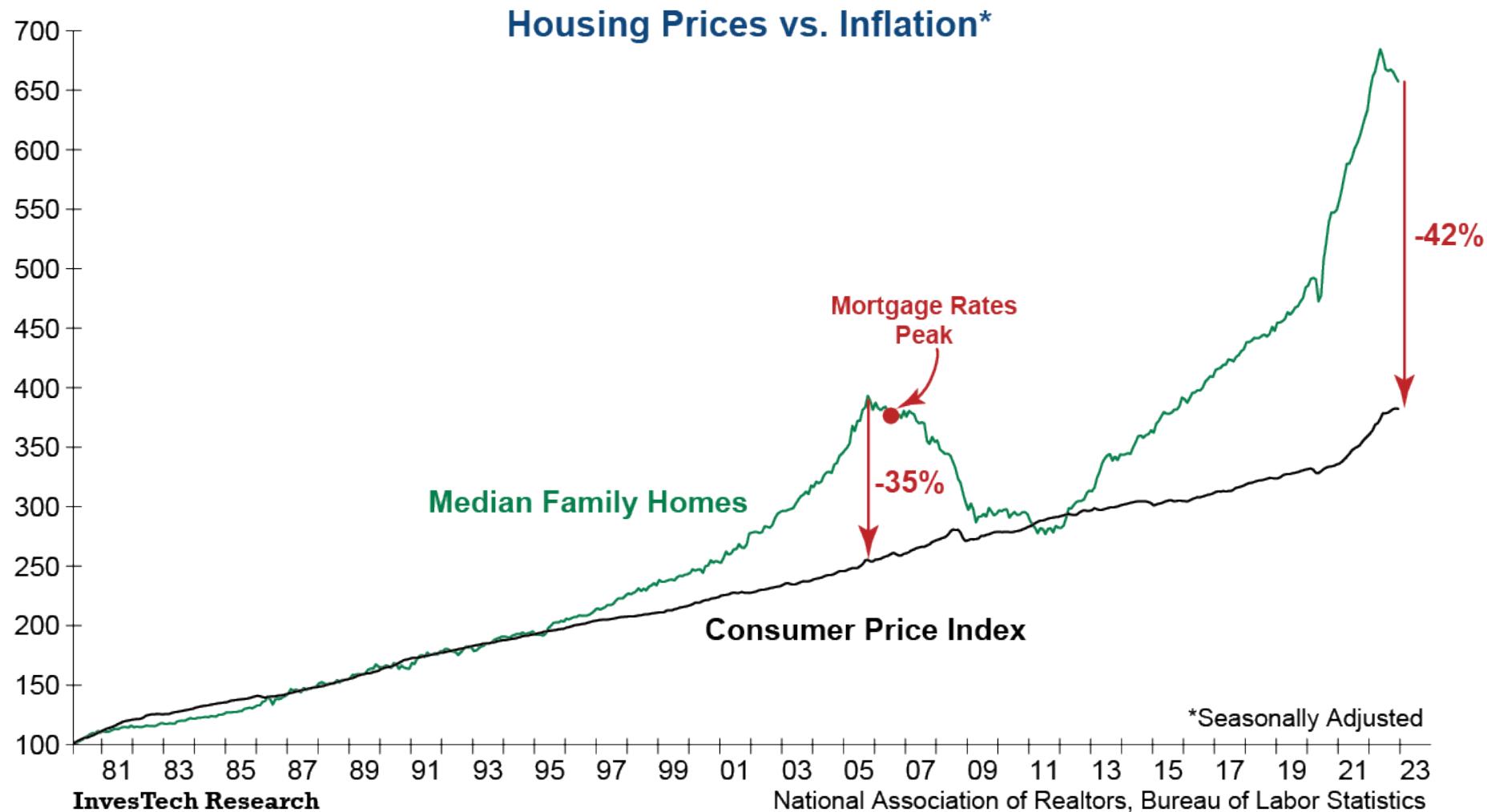
Housing Bubble Bellwether Index

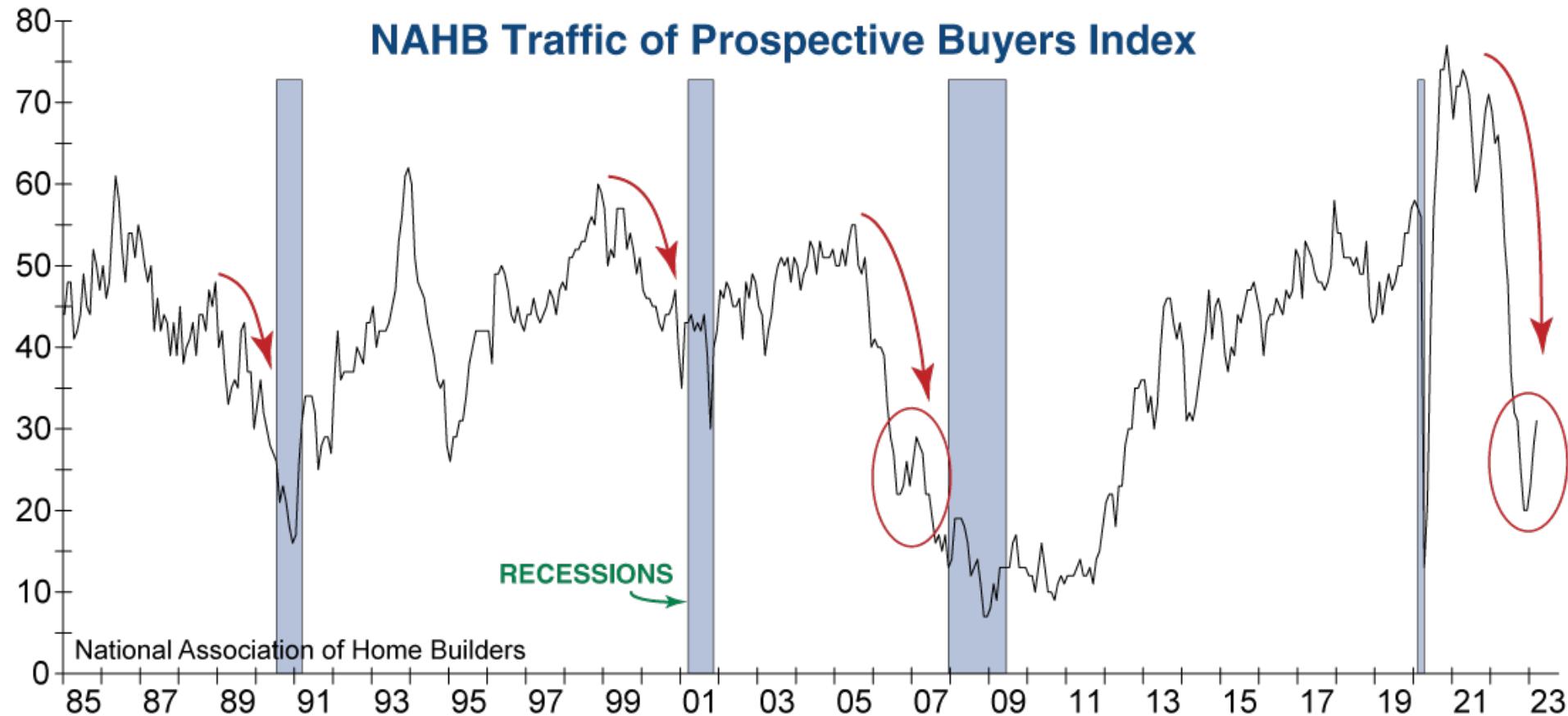


Housing Prices vs. Inflation



Source: National Association of Realtors, Bureau of Labor Statistics







InvesTech Housing [Bubble] Bellwether Barometer



INVESTECH[®] RESEARCH

Vol23 Iss03 MARCH 17, 2023

S&P 500 Index

4 Weeks Ending March 10, 2023

	High	Low	Last	
Federal Funds	4.58%	4.57%	4.57%	
30yr T-Bonds	4.00%	3.70%	3.70%	
Gold (London PM)	\$1862.80	\$1808.80	\$1861.25	
	High	Low	Last	
DJIA	34245.93	31909.64	31909.64	32392.35
DJUA	953.61	887.55	887.55	963.29
NASDAQ	12070.59	11138.89	11138.89	11401.81
S&P 500	4147.80	3861.59	3861.59	3940.38
S&P 500 P/E	Current: 22.4		95 yr Avg: 17.6	

Technical and Monetary Investment Analysis

Warnings from Wall Street: Reemergence of the Bear? ...and the problem with icebergs

This year unfolded with a strong rally on Wall Street, including a Breadth Thrust that typically only occurs at the start of a new bull market... or new bull market leg. Investors' unfettered exuberance had many believing the worst of the bear market was over...

Retail investors are pouring a record \$1.5 billion per day into the stock market – *Yahoo! Finance*, 2/16/2023

Inside this issue, you'll see that the two most compelling bullish technical arguments entering 2023 have since turned south – or are at least signaling that Wall Street has entered uncharted waters. That is also true on the monetary side as interest rates rise and the Federal Reserve's battle with inflation starts to take its toll...

Silicon Valley Bank Closed by Regulators, FDIC Takes Control – *Wall Street Journal*, 3/10/2023

Signature Bank becomes next casualty of banking turmoil after SVB – *Reuters*, 3/13/2023

Our January issue of *InvesTechResearch* contained an updated table of 21 Recessions Warning Flags, of which 85% were in full red-warning status. That has not changed significantly and, in fact, evidence inside only increases our conviction that the U.S. economy is already in recession – despite last Friday's hopeful employment report.

What is perhaps most surprising is the apparent complacency toward the possibility of a more severe economic downturn or broadening contagion. This survey from the Conference Board reveals that 93% of corporate CEOs expect either "no recession or mild recession" with limited global spillover.

That, unfortunately, leaves a great deal of room for unpleasant surprises. And with a number of potential icebergs floating around, it would seem prudent for conservative investors to have a lifeboat at hand just in case...

CEO Confidence Survey

Over the next 12-18 months, are you preparing for...

Category	2022 Q4 (%)	2023 Q1 (%)
No or mild recession with limited global spillover	87%	93%
A deep US recession with material global spillover	13%	7%

Conference Board, Business Council

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