Are You Ready for Another Lost Decade?

How to Prosper in the Current Bear Market

By: Evaldo Albuquerque
Editor of Retirement Strategist
YOUR NEXT FED CHAIR
How to Prepare for Another Lost Decade

- How the Fed has Been Blowing Bubbles
- Buy and Hold Doesn’t Work in Bear Markets
- Why We’ll Have Another Lost Decade
- You Need a Flexible Investment Strategy
  - Using the six stages of business cycle
- Six Investment Ideas
Recipe for Bubbles: Keep Interest Rates Below Inflation Rate

Fed Funds Target Rate

Emerging Markets: Up 400%

Inflation (CPI)
S&P 500 Index is Up 17% in Last 13 Years (1.3% per year)
P/E Ratio Says Bear Market is Not Over
“You have to be wildly optimistic to believe that corporate profits as a % of GDP can, for any sustained period, hold much above 6%.” Warren Buffet
Earnings are Flat, But S&P 500 is Up 40%
The Money-Printing Boom

"We may be painting ourselves into a corner. We've done a lot ... It's not clear to me how we are going to get out of this."

Dallas Fed Chief Richard Fisher
Should We Trust Bernanke?

February 2006: "House prices will probably continue to rise."

March 2007: "Problems in the subprime market seems likely to be contained."

January 2008: "The Federal Reserve is not currently forecasting a recession."

June 2008: "The risk the economy has entered a substantial downturn appears to have diminished over the past month or so."
But We Trust Janet Yellen, Right?

“I did not see the financial crisis coming until it happened.”
Option #1: Buy and Hold
Option #2: Get Out of the Market
Option #3: Flexible Strategy

- Stage I
- Bonds
- Stocks
- Commodities
Example of Stage V in 2007
We Are in Stage IV

Stage IV

Stage V

S&P 500 Index

Industrial Metals

Treasury Bonds
How to Make Money in Stage IV

- Annual Returns Based on Data from 1955 to 2011:
  - Bonds: -8%
  - Stocks: 9%
  - Commodities: 13%
  - Oil Service Companies: 22%
  - Mining Companies: 19%
  - Semiconductors: 14%
6 Ways to Play Stage IV

- Cyclical Sectors
  - SEA (Shipping Companies), SOXL (3 x Semiconductors)
- International Markets
  - EWI (Italian Stocks), RSX (Russian Stocks)
- Commodities
  - OIH (Oil Service), FCG (Natural Gas Producers)

Baltic Dry Index

Claymore/Delta Global Shipping (SEA)

S&P 500 Index

Natural Gas

First Trust ISE - Natural Gas Index (FCG)

iShares MSCI Italy Capped Index (EWI)
How to Prepare for Another Lost Decade

• Buy and Hold Doesn’t Work in Bear Markets
• You Need a Flexible Investment Strategy
  • Using the six stages of business cycle
    • SEA, SOXL
    • EWI, RSX
    • OHI, FCG
Looking for Retirement Income??

- Workshop:
  
  How to Generate Income with Options

  When: Tomorrow at 4:10

  Where: Grand Ballroom C-E