



Is a Market Downturn Coming ?

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The unequivocal answer is 100 % Yes. That's easy because downturns always happen, eventually. The more pressing question: is a downturn coming soon? Well, that's much harder, but significantly more important.

In modern times, market downturns and recessions are usually started by Central Banks raising interest rates. That follows a period where those same Banks forced interest rates low to get out of the previous downturn and now, to prevent over- heating and inflation, feel compelled to normalize them.

Sound familiar? Yes, this Keynesian intervention in economic cycles is taught at all the big universities that educate all the Central Bankers around the world, it is the not-so-new-normal. Prior to the

Great Recession of 2008 – 09 our Fed raised interest rates from 1 to 5 %. Eventually they got a downturn and, so it goes, then lowered rates to near – zero to prevent a Depression.

Rates were kept low for the longest period in history and, coupled with Quantitative Easing, resulted in an unprecedented amount of economic stimulus both in the U.S. and worldwide. The U.S. Economy is now humming along, but is dragging \$21 Trillion in debt growing at \$ 1 T per year. Now the Fed is again raising interest rates to cool things down. Hmmm, sound familiar?

One last point: stock and bond prices are at record high levels. Remember the Iron of Law of Valuation: the higher the price the lower the potential return, and the larger the downside.

What should Intelligent Investors do? 1. Remember the lessons of history, don't sit idly by and repeat them. 2. Recall that in this century U.S. stock prices twice fell over 50%. Those were gut-wrenching episodes for many. 3. Consider that the recent 10 year stimulus and resulting debt are much bigger than previous. That could mean the next downturn is worse as well.

Suggestion. Now is a good time to take a sober view of your portfolio. Create an Allocation of all of your investments. Consider selling over-valued assets. Try to be prepared for the downturn, because one is coming.

Call if you'd like us to help with a review. Or consider attending one of our upcoming Workshops. See the backside.

WORKSHOP

How to Prepare for the Next Downturn

The U.S. is in the longest Bull Market in its history, stock and bond prices are at their highest levels ever. This follows the largest and longest amount of economic stimulus in world history. Now interest rates are headed higher. What could go wrong ?

In this two-hour Workshop we'll discuss what could go wrong, and what steps prudent investors should consider taking now.

Our Workshops are Free, but space is limited.

Reservations are required. Call Jan @ (303) 770-3030

Thursday, November 8. 10:00 am to noon

Saturday, November 10. 10:00 am to noon

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