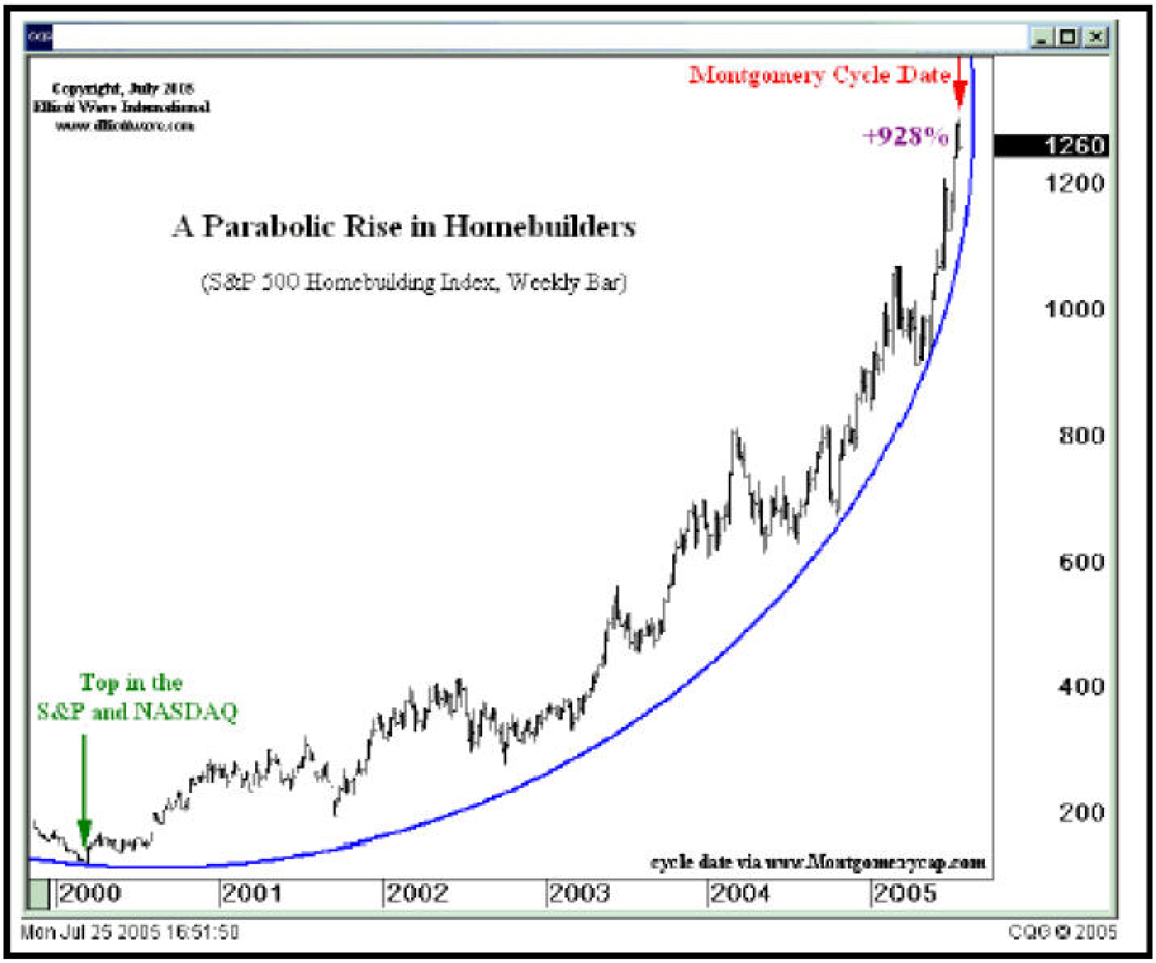
10 years of "Why Sell Now?" Dec 11, 2014

Doug Wakefield

While finding the end of the largest financial bubble in history has proved very illusive over the last three years for some of the most seasoned market technicians in the world, the last fifteen have allowed us to have many reminders that wild rides to the top have always ended the same.



[Chart produced by www.elliottwave.com, Steve Hochberg's Short Term Update, in July 2005. This piece of history, along with many market technicians and historians, can still be found in a free newsletter I released in July 2005, called Teenage Investing. http://www.bestmindsinc.com/documents/July2005.BestMinds.pdf]

Anyone looking at the historical data at the end of 2014, can see that July 2005 was the last time an "all time high" was attained in this housing index. This is not an opinion; it is a fact.

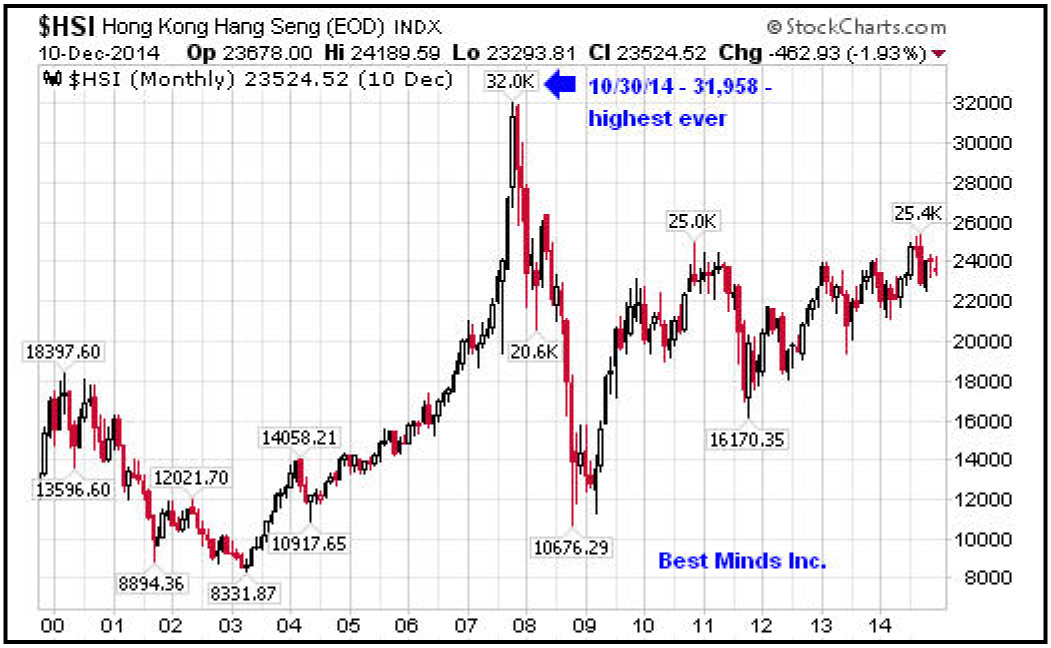
[Source – My public article, Let the Buyer Beware, July 27 '2007]

July 2007 wasn't another period prior to bank stocks soaring to new highs. By that point, it was an early warning of a depression level collapse.

[Source – Fear and Perception, Nov 1, 2007]

"In January of 2006, investors opened an average of 2,708 brokerage accounts per day. By August of 2007, the average had grown to 450,000 individuals accounts opened per day. Is the difference comprised of individuals who are thoroughly investigating companies' economic fundamentals and the sustainability of their stock prices? Are they seeking to understand when these

historic leaps will end, or are they looking for any story that supports the view that China's markets will only go up?" [Fear & Perception, Nov 1 '07]



[Source – The Gallery of Crowd Behavior Returns – May 2, 2011/ Yes, those misspellings irritate you!]

"Based on this information, it would seem extremely important for anyone depending on our global capital markets to pay attention to trends in the US dollar and Euro. From looking at the charts below, and once again considering the comments of Mr. Sperandeo earlier, it would appear that a massive change

in direction should be expected for these two aircraft carriers." [The Gallery of Crowd Behavior Returns, May 2, 2011]

[Source – [The Gallery of Crowd Behavior: Goodbye All Time Highs](), Oct 30 '14]

[Source – The Gallery of Crowd Behavior: Goodbye All Time Highs, Oct 30 '14]

2000, 2007, 2014 Comparisons		
Last Run to the Top: Former and Current		
Year	Trading Days	Gain in Wilshire 5000
2000	23	2,040
2007	39	2,169
2014	31	2,690
** - 2014 numbers are from 10/15 to 11/28, current all time high*		
Best Minds Inc., Dec 11 '14		

As we head for the close of 2014, and looking at current and former rapidly rising price movements, would one really be all that surprised to find 2015 radically different from the last few years? Considering how much debt has been created merely to stall this "all time high" bubble, would we not expect the downside of financial assets globally to be extremely severe?

Global Debt Exceeds $100 Trillion as Governments Binge, BIS Says, Bloomberg, Mar 9 '14

"The amount of debt globally has *soared more than 40 percent to $100 trillion since the first signs of the financial crisis* as governments borrowed to pull their economies out of recession and companies took advantage of record low interest rates, according to the Bank of International Settlements.

The $30 trillion increase from $70 trillion between mid-2007 and mid-2013 compares with a $3.86 trillion decline in the value of equities to $53.8 trillion in the same period, according to data compiled by Bloomberg. The jump in debt as measured by the Basel, Switzerland-based BIS in its quarterly review is almost twice the U.S.'s gross domestic product.

Borrowing has soared *as central banks suppress benchmark interest rates to spur growth* after the U.S. subprime mortgage market collapsed and Lehman Brothers Holdings Inc.'s bankruptcy sent the world into its worst financial crisis since the Great Depression.....

‘Given the *significant expansion in government spending in recent years*, governments (including central, state and local governments) have been the largest debt issuers,’ according to Branimir Gruic, an analyst, and Andreas Schrimpf, an economist at the BIS. The organization is owned by 60 central banks and hosts the Basel Committee on Banking Supervision, a group of regulators and central bankers that sets global capital standards.” [italics mine]

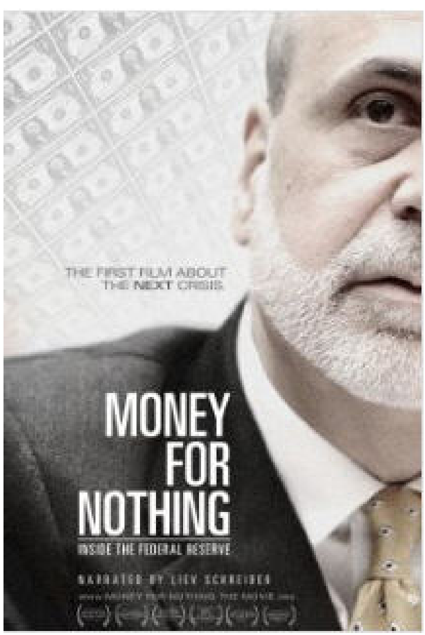
Bank for International Settlements warns on riskier loan deals, Financial Times, Dec 10, 2014

“Top central bankers have warned that investors are *underestimating the risks in racier “sliced and diced” loans. European sales of such bundled loans have more than quintupled over the past year to the highest volume since they were blamed for sparking a global financial crisis*.

The Bank of International Settlements — dubbed “the central bankers’ bank” — said riskier subordinated, so-called “mezzanine”, portions of asset-backed securities are subject to “considerable uncertainty” due to a “cliff effect” whereby *only a small error in projecting potential losses would magnify their risks substantially*, according to a research paper.” [italics mine]

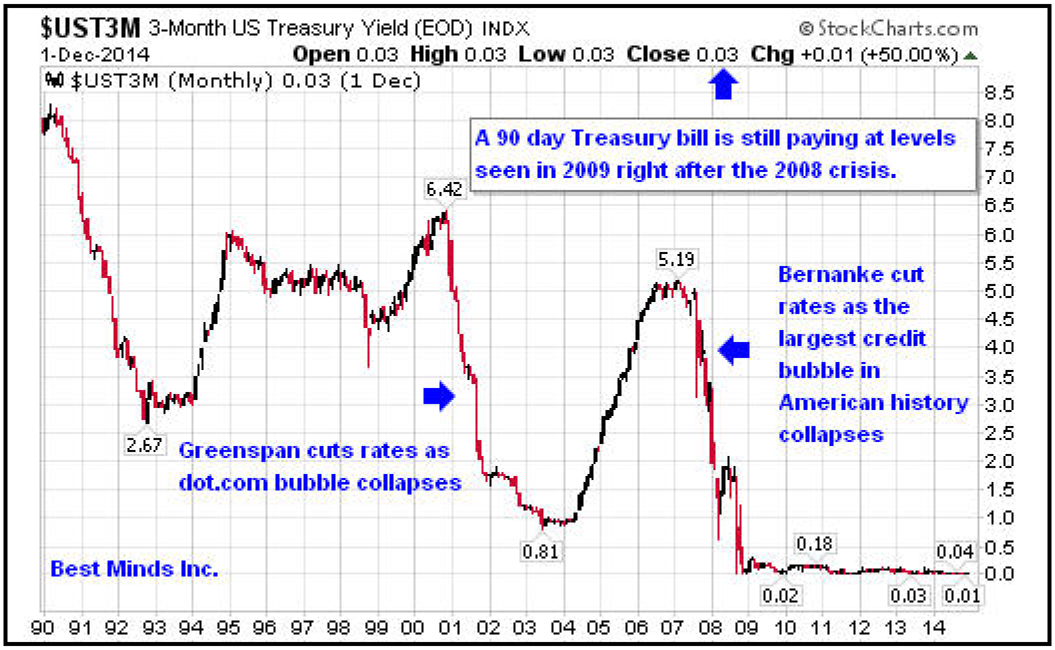
One thing is for certain. The memory of the 83% decline in the NASDAQ between 2000 and 2002 has long since been forgotten in a world of “money for nothing”.

[Source – [The Gallery of Crowd Behavior: Goodbye All Time Highs](), Oct 30 '14]



"So the Fed kept filling up the punch bowl [referring to the period between 2002 and 2005]. *And as opposed to going into inflation of goods prices, it went into an inflation of asset prices.*

That's inflation in the same way, but its not called inflation. So if the stock market goes up we don't say, 'Oh my god, there has been inflation', or if housing prices double we don't say 'oh my god, there has been this enormous inflation', we say, 'How much richer we are!' But the problem is that we are not richer, it is simply an illusion of richness." Dave Colander - Professor of Economics at Middlebury College ([Money for Nothing: Inside the Federal Reserve](), minute 59:00)



"But those who want to get rich fall into temptation and a snare and many foolish and harmful desires which plunge men into ruin and destruction." I Timothy 6:9

Complacency Time Has Gone

If you have no experience in *growing* money on the deflationary side of an *inflated* financial bubble, I cannot think of a better time to subscribe to **The Investor's Mind**. Denial and procrastination are not a plan of action. New strategies will be needed.

Next week, I release a new thinking newsletter, **The Investor's Mind: Second Opinion, Lessons from the last 10 years.** Each issue will provide questions and history most individuals never consider, because deflationary periods have been *experienced* so rare for most in the West in the last 40 years. However, deflation changes everything once the illusion of the latest inflated bubble burst.

The information is designed to benefit both group and individual planning.

The issues we are facing are far larger than trading or investing. In each issue, I will refer back to my public and private writings over the last decade. It has been quiet a ride, with so much great material from many incredible people and sources. Based on the many "first in history" events we have seen, and will continue seeing", I can not think of a more critical time to challenge the "we have always done things this way" idea.

Click here to start the next six months reading both the original version of **The Investor's Mind** (started in Jan '06), market sensitive trading reports, and the new version, **The Investor's Mind: Second Opinion.**

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