

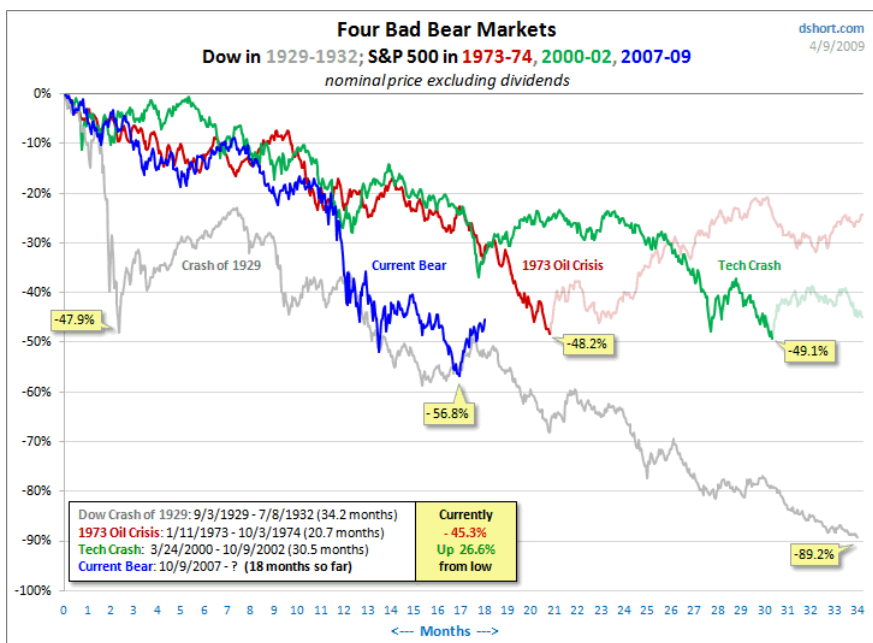
STOCK MARKET DECLINE COMPARISONS

WEB BUZZ 2009.04.20

The reason we have been commenting on the stock market of late is because we expect there will be an inverse correlation of stocks to bonds. History indicates that the correlation is neutral over time, i.e. stocks and bonds tend to move together as often as opposite one another. The inverse relationship that we now expect has to do with the bear market bull phase currently taking place in stocks.

For now the conventional wisdom is that this recession is just another post World War II experience. The Keynesian dominated investment community, which did not see the Great Depression of the 1930s, likewise does not see that we are now just part way into the Great Depression II. The Austrian model predicted both of these Depressions, yet it remains a mere footnote in most economic books. This fact is what gives us an edge, but it requires that we swim upstream most of the time.

We became fully invested in the long government bond as of April 14, 2009. We need to be there when the stock market heads down again—will it be next month? Remember the market adage, “Sell in May and go away.”



Adapted from Richard Russell's Dow Theory Letters, Inc.