Recession

>>>All I was doing was looking for some honest dialogue on the very high level of debt in this country and what potential exit signs might be if needed.

Interesting question. I, for one, don't know how to avert a recession, I don't even know how to predict one. A few years ago I read "The Great Depression of 1990" by Dr. Ravi Batra. I emphasize the Dr. part to remind me that titles mean ZIP! (The main purpose of titles is to protect the establishment against wannabes. If the establishment is strong enough, they get the government to use force to keep the wannabes down and out). I am still waiting for this sure thing, this depression that was going to wipe out the dinosaurs (or was that another depression? ;-) The reason I keep this piece of trash -- sorry, this learned exposition about the future of the economy -- on my bookshelf is to remind myself not to pay attention to these .......

Never mind!

A recession, depression, correction, stock market crash -- call it what you want -- is always possible and never predictable. If this is true, how do you protect yourself? Simple:

- Buy quality (piggy, use brick, not straw!)
- Don't overdo debt (don't sell your soul to Dr. Mephisto)
- Don't listen to TA and other market timers (beware of the siren song)
- When bad times come, trust yourself (reef when you first think about it)

>>>what potential exit signs might be if needed.

Forget exit signs, by then it's too late.

Quality: The best way to stay out of trouble is by buying quality. Next time you hear: "Lucent is dirt cheap compared to Corning" remember that you want quality. Dirt is cheap but it won't do much for your future. In general, listen to the market, don't fight the tape because the collective intelligence of the market is what drives the market. But the market is not always right. At this time I'm betting that the market is wrong about $G^*$. To make this bet you have to have
very well thought out reasons for believing that the market is wrong. I have stated my G* reasons elsewhere so I won't repeat them here but I can guarantee that I'm not buying G* because it is dirt cheap. I'm buying G* because I believe that the market is totally wrong about G*.

**Debt:** Notice that I said "don't overdo debt." Debt, margin, is not all bad. It can leverage your capital in a safe way. If you can get money from your broker at 9% and if you are capable of producing 12% in the stock market, a reasonable amount of margin will improve your results without undue risk. You can also use margin not as leverage but as part of your money management. For example, I pay for most things with a credit card which gives me 15 to 20 days of free float. Then I pay off my credit card with a check drawn on by brokerage account (I have just closed my last US bank account!). I then buy and sell stocks in such a way as to keep a small (and safe) amount of margin. Cash in the bank is a waste of money, banks have the gall to charge you for playing with your money! Ridiculous.

**TA:** Technical analysis necessarily depends on the past to interpret the future which means that it has two strikes against it. The first strike is that it is talking about the past, by the time you get a sell signal the price of your shares has already dropped. By the time you get a buy signal the bottom is way past. By listening to technology and by analyzing a business's fundamentals, you can be way ahead of the TA gang. Not only that, TA creates churn. Brokers love churn, they live off the commissions but your portfolio does not like churn, it costs money and it multiplies the number of times you can be wrong. The second strike against TA is that it measures only the market's short time mood, it tells you nothing about the prospects of a company. Can TA tell me whether G* will succeed or fail? No way!

TA has its uses. Once you have decided to buy or sell on fundamentals, you can use TA to improve your entry or exit point but that is just about it!

**Trust yourself:** Ask a sailor when is the best time to put in a reef in a sail. The correct answer is: "as soon as you think about it." Your experience has told you it's time to think about reducing sails. Trust yourself, reduce sails, reef. If you do and the storm never comes, nothing is lost but maybe a little bit of time. If you try to reef at the last possible moment it becomes quite likely that you will not only lose your ship but your life. Is it worth it?
Tusting yourself has the additional benefit of creating free time for yourself. Once you trust yourself you gain the ability to distinguish between signal and noise in the press, radio and TV. You have to remember what drives the people who work in these media. They need to make a living! They need to create sound bites. They need to fill air time. They need to fill web pages. They need to fill sheets of blank paper with colored ink. They don't need to make money for you! Some very few do make money for you; George Gilder and Louis Navellier have made money for me, lots of it. But most reporters, pundits, gurus, predicators, and witch doctors just waste your time. Learning to tell the difference between them, and ignoring the time wasters, will help you live a fuller life.

Beware of the eyeball snatchers, the media people who collect your eyeballs and sell them to advertisers. Take control of how you spend your life. This is the reason I ask people to provide hot links instead of pasting lengthy articles on the forum, out of respect for other people's life time.

>>>the very high level of debt in this country

What about it? Can you change it? Can you pay it off? If not, who cares?

Denny

"Demand creates queues. Supply gets rid of them."