Insider Money

Steve Briese is a voice of reason out there among all the crazy people.

Bill Fleckenstein

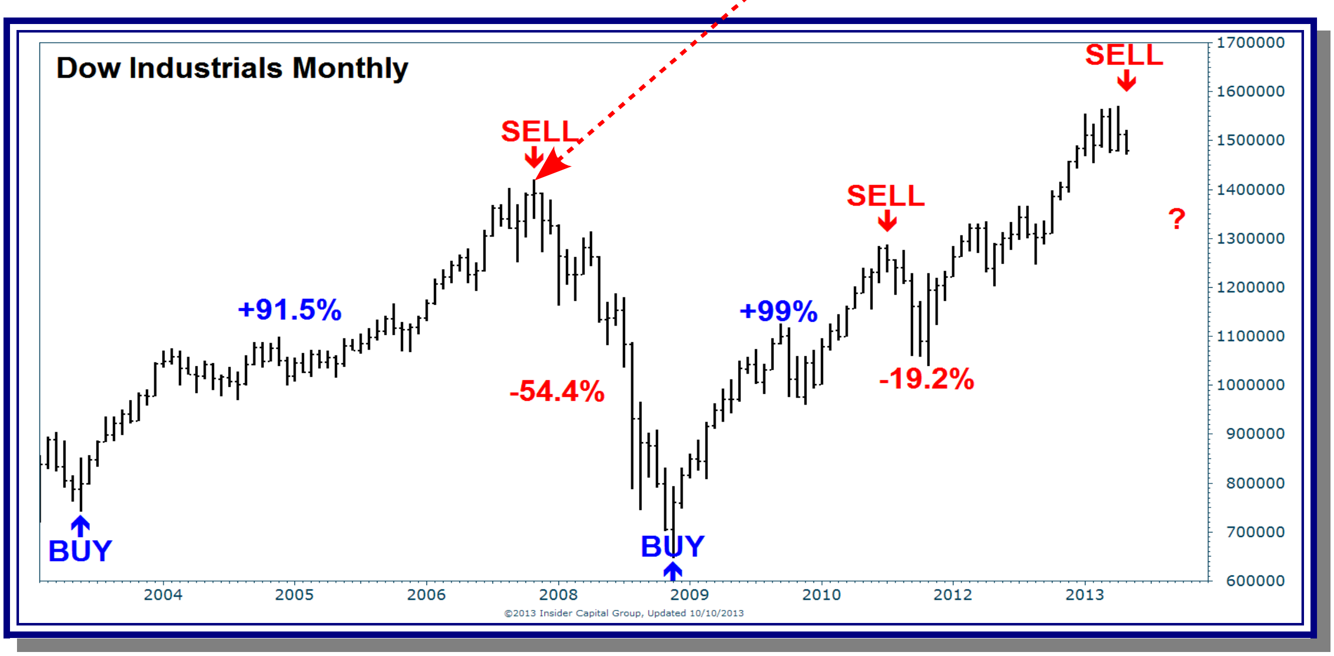
Founder, Fleckenstein Capital Management

I have followed Steve Briese's analysis for several decades in trading the commodities markets. His methods and conclusions from COT data are fact based and often properly contrarian. **Brent Harris**

Chairman of PIMCO Funds

Insider Money has been perhaps the best kept secret in the market advisory business. It has never been promoted to the public only to subscribers to my futures market letters. ***Insider Money*** began as a letter to my mother. My father had left her secure financially, but she could not afford to squander her capital or to be fully invested, during the tech bust of 2000 2003.

Mom would not discuss her finances with me, preferring advice from her broker, who she said was really good with widows. But I found out that she did read a futures market letter, *Bullish Review*, which I had been writing since 1988. The trouble was, *Bullish Review* is written for a professional audience and she didn't understand the jargon. Thus began the ***Insider Money*** series of letters to my mother. As it happened, at the start, I agreed with her broker that stocks were a buy in 2003, but when I issued a sell signal in October 2007, she had a decision to make.



There are risks associated with investing, including possible loss of principal.

But, I don't cover just the stock market. I had moved my *Bullish Review* subscribers out of stocks and into bonds in the Christmas 1999 issue. Fortunately mom had her bond ladder, so she did have a buffer of rising bond prices through the dot-com bust. In the very first issue of ***Insider Money*** which I shared with my *Bullish Review* subscribers I advised dumping bonds in favor of stocks. You may remember Fed Chairman Alan Greenspan's 2003 gaffe that plunged bond prices. This came just two weeks after my sell recommendation. It took more that five years for bond prices to recover; meanwhile stock prices nearly doubled!

Mom was never a gold bug, but she could be tempted into selling family heirlooms when gold prices were in the news. As it happened, it was her estate that had this opportunity when I called the gold market top in August 2011. You might have seen this market call, as Gene Epstein passed along my forecast an August 27 *Barron's* article cautiously entitled, Why Gold May Take a Breather.

But, ***Insider Money*** is about more than just financial assets. Mom owned some rental properties. In the July 2005 issue, while others were claiming it could never happen, I warned that housing prices were due to plunge on a national basis, noting: *Tops may be difficult to pinpoint, but, as the monkey said after cutting off his tail, 'it won't be long now.'* You may think I was early, but you cannot liquidate real estate overnight. You need early advice. Although she did not mention my newsletter's influence, Mom actually sold two properties just ahead of the top.

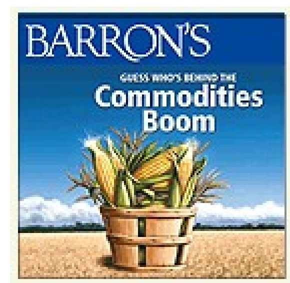
I also keep an eye on the economy. You have no-doubt read that so-and-so predicted the housing bubble pop. I am pretty much self-taught when it comes to economics. I like to say that I don't come from the Chicago school, or the Keynesian school, or the Austrian or any other school other than the school of common sense. Economists make terrible forecasters because they need to facts to fit a preconceived model of the economy. Economic models are not the answer. They should have been reading ***Insider Money***, which foresaw virtually every facet of the financial crisis.

- **2007:** ***World-wide financial system is at risk.***
- **2007:** ***Triple-digit annual bank failures coming.***
- **2007:** ***US recession already here.*** **(November 2007 issue)**
- **2006:** ***Stock and real estate bubbles threaten long and hard recession.***
- **2004:** ***Credit default swaps are a game of musical chairs.***
- **2004:** ***Unprecedented housing bubble growing.***
- **2004:** ***Fannie Mae & Freddie Mac gone wild.***
- **2004:** ***We will live to regret the Glass-Steagall repeal.***
- **2003:** ***Debt bubble hangs over economy.***
- **2003:** ***Derivatives threaten financial system.***

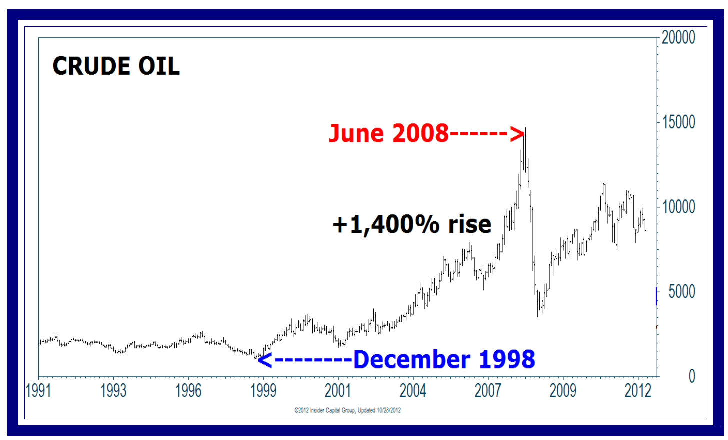
Very few of today's money managers or analysts witnessed the 1987 Black Monday stock market crash. It remains the largest single-day market decline on a percentage basis. I was trading bonds at the time, and I can tell you we had very busy day. If I have learned one thing in 40 years of trading, it is: whenever you hear an expert say this time is different, he will soon be proved wrong.

Past performance is not necessarily a guide to future performance.

In the Fall of 1998, I put on a series of seminars in the US and Canada, which I called *The Turning Point Tour*. My research had convinced me that commodities were about to boom, which would have dire effects on the stock market. At the time, oil prices had fallen to near $10 and magazine articles appeared with reasons why commodities will never go up again (remember by advice on *this time is different*.)



In 1998 there were only two commodity bulls in the land, Jimmy Rogers and me. Move ahead ten years, and everyone *including* Jimmy is a commodity bull, except me. In the March 31, 2008 Barron's, you will find my picture and a lot of quotes, including: ***Given the tendency for prices to overshoot, commodity values could be cut in half before they stabilize.*** The great commodity boom ended on July 2, 2008 and commodities fell 50% and more by year-end. (My subscribers were advised to sell on June 30.)



In September and October of my 1998 tour, I predicted ***a major bottom in crude oil in December near $10, to be followed by a generational type bull move.***

In 2008, Barron's refused to print my forecast for crude oil prices, calling it implausible and casting the entire article in a poor light.

But I did do a phone interview with GreenLightAdvisor.com in June 2008 when crude was near $140, and explained why oil prices were about to crash.

Oil Breaks $35: Commodities Snapshot

Friday, December 19th, 2008

It wasn't that long ago, June 19, 2008, we had a conversation with Stephen Briese, author of the *Committments of Traders Bible* about the imminent bursting of the oil and commodities bubble (200 Days of Oil Supply Held Long by Speculators). That was just weeks before the price of oil (and other commodities) peaked at 147. In that conversation, Briese made the firm statement that oil could drop as low as $30, which is why we are bringing it back to your attention. It was very very hard to believe that it could come true, but here we are. Here is that conversation again:

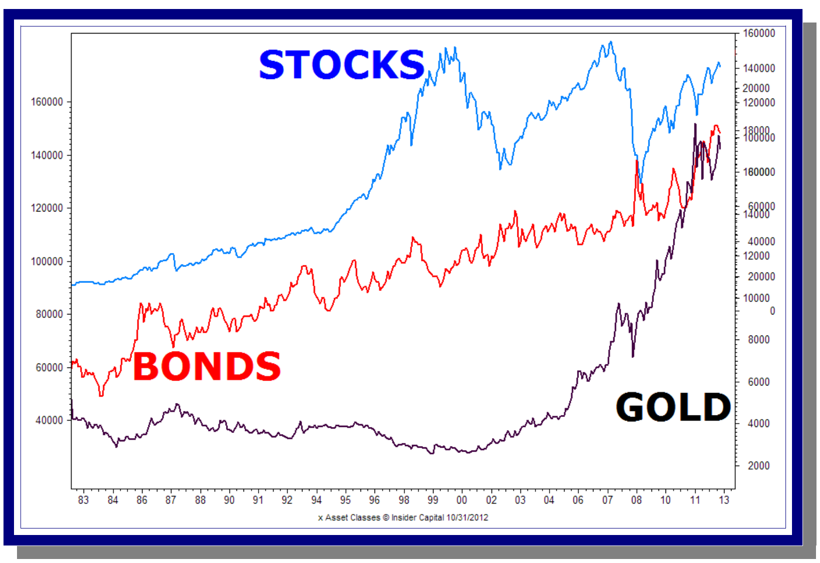
To Listen, Press Play [MP3] Stephen Briese, CommitmentofTraders.org, June 19, 2008, 9 min. 18 sec.

Oil is trading around $34.71 down $1.51 from yesterday's close, as of the writing of this article.

If you managed to keep your retirement funds on track since 1999, you are the exception. If you are short of your dreams, like most of us, there is good news you. Studies have shown that most retirees accumulated the vast majority of retirement funds in ten years or less. It is not that they did not have good intentions all along, but raising a family got more expensive while earnings actually declined. Meanwhile, college tuition soared. I have four college graduates, three with advanced degrees. This is my own fault. I told each one of them: Stay in college until you can support yourself, because when you leave college, I quit supporting you financially. Four kids in college at the same time can absolutely drain you dry!

But once the kids are gone, there will be a decade when you are at the top of your game with earnings to match. Obviously you need to preserve that capital which is no cinch and it helps if you can manage a reasonable return (or better) on your savings. This last part is what I will be concentrating on. I aim for exceptional gains, while insisting on low-risk situations. Your capital preservation is my first priority.

So, hopefully, you have one good decade to build your wealth (or already have a head start). I will try to take you the rest of the way. I have to tell you up front that in terms of asset prices, *something is different this time*, and not in a good way. Here, in one chart, is what I am talking about. Study it. What do you see?



I'll give you a hint. The three major asset classes are all at or near all-time highs TOGETHER. This has never happened before in modern history. Wherever you lay the blame speculators, disruptive Fed manipulation, financialization of commodities for the first time in history all three major asset classes are richly priced, leaving <u>no safe haven</u> to park your capital for appreciation at a reasonable risk. **This is a triple bubble and <u>bubbles always burst</u>**. The bigger the bubble the bigger the bust.

I began my trading career during the devastating 1973-74 stock bear market, so I looked for something going up. Silver futures were just moving above $4 for the first time in history, so I jumped on board. The point is that you could always find some liquid investment that was relatively cheap. This is not true today. If you believe one of these three asset classes is currently undervalued, I probably cannot help you.

If you see the problem, then you might be able to appreciate the value of ***Insider Money***. As this is written, the only safe liquid asset is short-term Treasury bills. There are opportunities for aggressive investors to place short bets, but this may not be suitable for all investors. If I make one point in this letter, it is that everything you have heard about the 'safety of conservative bond investments' is wrong. That was the last 30 years. Bond prices will nosedive over the next 30 years. *But I will just hold my bonds to maturity,* you say. Bonds of all types and sizes will be defaulted in the era of rising interest rates we are entering. You gotta dump 'em.

Let me tell you a little bit about where I come from. In the summer of 1974, I watched my grandfather buying stocks. Chances are pretty high that you do not remember how unusual this was at the time. One and a half years into one of the worst bear markets in history, almost nobody wanted stocks. But Granddad had sold near the top and had cash to invest. And he had a simple strategy:

1. Buy stocks that had fallen at least 50% from their pre-bear-market highs, which had room to appreciate during the next bull market.
2. Companies with a long record of increasing dividend payouts.
3. A current dividend yield of at least 8%.

Granddad did not know how long or how low stock prices had yet to fall. But he knew that sound companies would pay him 8% to wait for the bottom. As it turned out, he did not have long to wait.

Where did Granddad's insight come from? I only found this out after he died, when I inherited the stocks and bonds that his father had purchased between 1926 and 1928. Great-Granddad rode his stocks all the way down in 1929, a lesson not lost on my Grandfather nor on me those stock certificates make great wallpaper.

I believe we will have another opportunity to buy good stocks at unreasonably low prices, and paying high dividends. Bubbles always burst. The key is to have cash to buy stocks at the bottom, after the current financial asset bubble deflates. This is the essence of ***Insider Money***'s road map.

If you can find a market advisory with a better record of timely actionable investment advice over the last ten years of incredibly difficult markets, I don't think you would still be reading this letter! Here is an example of the kind of timing advice you did not read anywhere else (or get by watching Cramer on CNBC):

Past *Insider Money* alerts:

- **May 2011:** ***Major dollar rally bottom is here.***
- **May 2011:** ***Major sell signal in commodities.***
- **Aug. 2011:** ***Gold is headed down for a long, long, long time.***
- **Mar. 2009:** ***Stock market is due for a recovery.***
- **July 2008:** ***Oil prices to collapse to $30*** **(from $140).**
- **June 2008:** ***Commodity prices to plunge 50 percent.***
- **Oct. 2007:** ***Major stock market top at hand.***
- **July 2005:** ***Housing bubble bust won t be long.***
- **Mar. 2003:** ***A significant stock market recovery due.***

Any statement of past profits are hypothetical. No guaranty is implied.

Most likely your current advice includes some of these actual adviser quotes:

If bonds were a smart buy last year, they may be an even better investment now.

Gold stocks are the cheapest I have ever seen!

Dividend stocks are a strong 'buy' at current levels.

Emerging-markets stocks are dirt-cheap.

The buy and hold approach will almost surely net you around 10% a year.

If the investment advice you are getting right now includes any of these nuggets, please, please, please, accept my no risk new subscriber offer. CANCEL within 30 days, the first issue is free. Your credit card will be automatically billed just $29 each month thereafter. There is no long-term commitment. You can cancel at any time.

Since you will receive each issue before you pay for it, you do not need to worry about a refund. Simply put, I assume your subscription risk.

There is one more financial catchphrase to watch out for: *Market timing is a fool's game* . Name one other endeavor in your life where timing did not matter. How many of life's fortunes would you credit to being in the right place at the right time? Of course it *matters* whether you buy at the top or sell at the bottom. This is common sense. It is only called a fool's game by those who can't perform. ***Insider Money***'s record maybe extraordinary, but this is exactly what you need if you plan to survive, let alone prosper, in the market upheavals that are just ahead. You can't follow the crowd.

Yours for a secure future,

Steve Briese, Editor, *Insider Money Monthly*

PS: **Click here to subscribe for $29 per month. (No commitment. Cancel at any time.)**

Who is Steve Briese? A 40-year trading veteran, Steve is the acknowledged expert on the *Commitments of Traders* report and author of The Commitments of Traders Bible (Wiley 2008). In 1998 when the CFTC threatened to cut off access to internet trading information, with a handful of fellow publishers, Steve sued the CFTC under the First Amendment, guarantying your freedom of financial information. **Steve has subscribers in more than 40 countries**.