



>: Want to know how to spot the start of a bear market? The answer may be right in front of you.

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"There Are 3 Proven Ways to Tell When a Bull Market is Over." - Gerry Levin

At least that's what the Old Timers used to tell me when I was a young buck on the Street.

Of course I never listened to them at the time. You have to remember, back in my 20's, I happened to know it all.

But one single event in my life changed my mind.

The Date: January, 2000

The Place: I was sitting in my office in Manhattan, daydreaming about playing point guard for the Knicks.

Suddenly I heard the news: America Online was purchasing Time Warner.

I was stunned. "Wow" was all I could muster.

It was at that point that the Old Timers' voices came back to me.

You can always tell a bull market is over by THREE things Dylan ?

(Of course I left out the part where the Old Timer said, "You'll learn the hard way, you arrogant little fool." But you get my point.)

Naturally, when America Online's stock became so over-inflated that it was able to acquire Time Warner, it proved the theory correct - the bear market started only four months later.

(It also proved that Gerry Levin and all the schmucks advising him - including now CEO Dick Parsons - had never studied history ? but that's another story.)

Almost 15 years earlier - back in 1987 - the same thing had happened.

We were right at the end of the cheap-money LBO era.

The big deal left on the plate was UAL.

The private equity firms trying to buy the company said they would round up the financing.

But the Fed raised rates, the price of money became too expensive, and the financing for that deal fell apart.

Soon after, the stock market crashed.

Both eras had two things in common:

Now back to my original point:

Here we are in 2006.

We've had a huge cyclical recovery powered by two things:

1. Cheap money 2. A boom in housing prices.

Certainly, the cheap money helped create the boom in housing prices, but consumers did something that human nature says they'll always do: they spent like they were sailors on leave.

What I'm saying is that we may have very well hit the top of this particular bull market cycle.

What makes me say that?

It was the announcement that Golden West Financial (SYM: GDW) agreed to be purchased by Wachovia (SYM: WB).

Now GDW's mortgage business - which represents over 90% of its total business - itself symbolizes the surge in cheap money and rising home prices.

Almost 30% of their mortgage portfolio is in adjustable rate mortgages. Even worse, many of their mortgages allow customers to pay only what they could afford each month.

Of course, whatever they can't pay gets tacked onto the mortgage. (This has the perverse effect of generating "negative" equity for people who opt to "pay what they can afford.")

And to top it off, the old timers who are running it - the Sandler couple - have been in the game for close to 50 years.

Don't you think they know when to sell by now? Of course they do.

(Note to Wachovia shareholders: "SELL NOW." Regardless of the positive spin you're hearing on the deal, the guy running Wachovia must be getting advice from Gerry Levin.)

How to Identify a Changing Market

A market changing from bull to bear usually doesn't happen overnight - it requires a paradigm shift in thinking.

And why 99% of investors don't know they're in a bull market until most of the money is made, and 99% of investors don't know they're in a bear market until most of the money is

But, as I've explained, there have always been a couple of indicators that have been pretty darn solid throughout history.

And a few of them are screaming at us right now!

I guess a few of you wise-guys reading this will write in asking me how to identify the beginning of the next bull market cycle?