

>: Market Lessons of 9/11

Tuesday, September 11, 2007 / Jason Jovine

Unless you have been in a cave somewhere, you know that today is September 11th. The first thing that I want to do is give thanks to all of our people in uniform for protecting us and for fighting for my right to say the sometimes crazy things that I say. THANK YOU!

Many politicians and those in the media talk the talk but do not walk the walk when it comes to taking care of our soldiers. Nine times out of ten, they talk a bunch of rhetoric with zero substance. I also feel the same way about those entrusted with watching and teaching our children, namely teachers. That's a whole different story for another day.

Back to business...

I believe with 100% certainty that there will be another terrorist attack in the United States. I do not know when, I do not know where, and I do not know how, but I do know that there will be one.

How will the market react when it happens?

How should you react when it happens?

These are very important questions in these strange times that we live. If you play it the wrong way, you could lose a fortune ... and if you play it right, you could make a fortune. I am not kidding, folks.

In case you are not aware, there is already a terrorist premium built into stock prices. We could argue until we are blue in the face if this premium accurately measures the risk correctly. My guess is that it does not.

We could see from this recent mortgage meltdown and subsequent credit crunch how even the so called "best" rating agencies such as S&P and Moody's were asleep at the wheel when trying to quantify the risk of investing in MBS (Mortgage Backed Securities). **THEY GOT IT WRONG!**

They got it so wrong, in fact, that Congress, led by Rep. Barney Frank, is conducting an inquiry into them.

Do you really think that Wall Street is correctly assessing the risk of another terrorist attack? **I don't.**

Since 9/11, the market has factored a terrorist premium into the price of investments. I believe that if we had a terrorist attack at the 9/11 level or less, the market would hold up relatively well (a lot better than the first time). For anything worse than what happened on 9/11, the market will not react well at all.

When - not if - this happens again, you should own what you own. Second, you should

Let's see what happened after 9/11



ed down in the panic. **YOU SHOULD BUY!**

Several days after 9/11, the market hit a low of about 8,000. The market, as you probably know, hit a high of over 14,000 a few weeks ago.

Folks, this is a return of almost 75%!

If you would have simply put your money into the good and relatively safe stocks of the DOW, you would have made a fortune. You could have

made almost 75% relatively safely in about six years.

What I am telling you here isn't just for terrorist attacks; it is for any calamity on a micro or macro level. Greed and fear drive the market, and if you have a good stock that went down, and in your heart you know that it got punished worse than it should have, then take action and get in there and buy.

We commonly refer to this on Wall Street as a **dead cat bounce**.

That's when an investment gets hammered so badly because of that aspect of human nature called fear as to send an investment lower than it should be. If you can manage to use logic during these times instead of emotions, you will be able to make and save a lot of money.

If you sold after 9/11, it would have been a very foolish mistake, and if you sat on the sidelines after 9/11 and didn't buy, it was foolish as well. I realize that some of you may leave me comments to the effect that hindsight is twenty- twenty. I agree with that.

?If I only could have, should have, or would have, etc.?

What I am trying to tell you from my years of experience is that this happens **ALL** of the time. This happens literally on a daily basis. Obviously, not to the magnitude of 9/11, but rest assured that there are plenty of stocks every day that are on sale because of fear, or are too high because of greed.

Let 9/11 not only teach you the invaluable lessons of how great heroes can be in the face of evil. Let it also teach you about how irrational human emotions can be as represented by the stock market. The stock market has been and will continue to be the visual representation of the human psyche.



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