

>: The Media is Selling Anxiety, But We're Not Buying

Tuesday, April 21, 2009 / Chris Rowe

I was riding in my car with my partner Dylan Jovine late on Friday night. (I guess we must have been coming home from choir practice, feeding the homeless, or saving the seals and whales in Florida. ... Are there seals here?)

Anyway, Dylan said something I found funny at first, and sad a moment later. While discussing one of our usual topics -- the media's ability to manipulate, and practically brainwash, humans, and how sick it is -- Dylan said, "The media is in the business of selling anxiety." Well-said, Dyl!

Although I could fill up this space with examples of the bad behavior that is rampant in the financial and even the mainstream press, instead I will point out to you that the media has been talking about being "cautiously optimistic."

BAH!

Don't fall for it.

Just Because Someone Says it, Doesn't Make it True

Fifty different economic and market commentators will give you 60 different opinions. And the media will have you analyzing the economy first, and then trying to apply that to your thought process (speculation) of what the stock market will do next.

But as we know, the market leads the economy, and oftentimes the market seems to have an agenda of its own. So, don't focus on what you hear about the various opinions on how the economy might or might not be affected by future unknown events.

Take the big bank stress tests the U.S. regulators have carried out in order to figure out how much money the banks will need to survive the current recession. (Which, by the way, will be the longest recession -- 17 months -- since the Great Depression, which lasted 43 months.) The results should be announced in early May.

Will this uncover a HUGE amount of additional tax dollars that the regulators will want these banks to raise to meet the stress test standard? (Incidentally, the government only has \$135 billion in bailout funds left. Will Congress need to approve MORE?)

Furthermore, will the results show that certain key banks are surprisingly healthier than we thought? Will we first see that there are huge holes to be filled -- followed by the regulators giving six months to banks to raise the capital they need, followed by successful capital-raising from the private sector? Or will people be fearful of nationalization of the banks that simply can't hold on any longer?

Why try to figure that out? Why try to figure out how investors will react? Why try to figure out whether the government is lying to you? Do you really want to invest your money based on your ass-u-mption? Because when you do that, you make an "ass" out of "u" and "mption."

I know I'm asking a lot of questions here, but we can't take what we see and hear at face value. And we certainly shouldn't invest based on what "they" are telling us.

Make Future Profits by Looking Back First

There is more B.S. (bologna sandwiches) out there than ever right now, which means you have to focus more on technical analysis (which eliminates human emotion and "noise" -- aka, B.S.) than ever. Trade based on facts! Stop listening to what everyone else is saying, and start listening to what the stock market is telling you.

So, what *are* the markets telling us right now?

The stock market's message has been clear: Demand has been in control for the medium (intermediate) term. This has been the case for about five weeks. (And, remember, "intermediate term" is weeks to months.) But the bigger picture, if you zoom out, shows that the longer-term trend (i.e., the *dominant* trend) says supply is in control.

What you should be waiting for right now is for the intermediate-term trend to rejoin the major longer-term trend in a decline. This will be the strong trend, the *reliable* trend -- the trend to act on and it will be the trend upon which to act aggressively (by taking bearish bets).

If you have been making money on the recent intermediate advance (which is found within the longer-term decline), then kudos to you. But the strategy here is to be less aggressive in profiting on the advances and more aggressive in profiting from declines when the intermediate- and longer-term trend are the same -- down.

Therefore, it would serve you well to begin reducing your bullish exposure and hedging your bullish positions now. (That is, being less aggressive

on your bullish bets on intermediate-term advances within longer-term declines.)

If you want to learn how to do this using technical analysis, then I strongly urge you to take my home study course "[The Internal Strength System](#)" by visiting t

You'll never look at the market the same way again. And when you sign up, you get a free trial to my options trading service *The Trend Rider*, where I help you to profit from stock movements with timely, easy-to-execute options trades.

It's a Time for Caution, Yes, But Not Anxiety

I told you that I would inform you when supply takes control of the intermediate trend. That hasn't happened yet. However, I'm telling you to be cautious with bullish positions.

It's not time to get aggressive on the downside plays yet. But when the dominant (longer-term) trend is down, that's when you have to accept the fact that you just might start exiting your bullish positions too early.

I would rather miss some upside here than be aggressive where I'm not supposed to be, and where odds don't weigh heavily in my favor. Only bet on high-probability outcomes.

If you are questioning my thinking right now, ask yourself: Would I rather be in pain for reducing bullish exposure too early, or too late?

?Profit from the Trend?



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