

>: The Rich Get Richer, the Poor Get Poorer

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How does the saying go again, the rich get richer and the poor get poorer?

I've got to come out on record and say that chairman Bernanke's move to cut rates by 50 basis points is, in my opinion, a mistake. All he has done is to reaffirm that the game is rigged to favor the ultra rich.

I realize that's not news, but the message now appears to be that financial companies can operate in a completely consequence-free environment; and that, my friends, is the antithesis of capitalism.

When you remove market risk for a select moneyed few, you are witnessing a Frankenstein transformation from capitalism into good old-fashioned cronyism.

Opinion: The Fed should not have lowered rates.

Fact: They did!

Lesson: *Never allow your opinions to override facts.*

What the Fed rate cut did was essentially bail out some of the richest people in the world. Banks, hedge funds, private equity firms and brokerages made billions from the credit markets. When the bottom fell out, and it was time to pay the piper, the Fed rode in on its white horse and bailed them all out.

The ugly stench of this hypocrisy makes me want to retch. Shouldn't there always be a chance of risk when investing? Why does it seem that the institutions get all the upside and none of the downside?

There is an inherent unfairness in this system that grates on me. It's in large part why I have chosen the path I have of assisting the individual investor. My mission is to help arm you against the predators.

It's not fair, and it never will be fair. The big money boys take care of their own; their private 'money' clubs are centuries old. But it does us no good to lament this unfair situation.

We cannot allow our cynicism or our opinions of how things should be done to get in the way of how things are actually done. This is a critical distinction that you must fully accept. Part of my role here at Tycoon is to help you navigate some of these uglier realities of the global market system.

As I've stated previously, my personal opinion is that the Fed should not have cut rates and should have let the market excesses work themselves out. However, I did not allow my opinion to override the fact that the Fed's move to cut rates was well telegraphed to the market.

I made many moves to get long exposure to gold, industrial metals, oil, the British Pound and the Australian dollar in anticipation of the Fed rate cut. Remember, this was a rate cut that I did not agree with.

As a younger man, I was unable to separate my opinions from market realities, and I paid the accompanying price that all young men must pay for such foolish notions as fair play.

As investors, it is not our job to make moral judgments on how the market is run. We can accept the ugly realities of the marketplace without becoming part of them. We have only one job as investors and that is to make money. What we choose to do with the money that we make is where we can make the difference.

Please don't misconstrue this article to mean that I have no care for morality. Nothing could be further from the truth. I am simply trying to share with you the unvarnished realities of stock market investing. We must remove any vestiges of naiveté that we may have when it comes to the stock market because we are dealing with institutional greed that is on a scale that very few of us can comprehend.

The knowledge that the institutions will always work to favor their interests ahead of individual investors' is actually very valuable. In down markets, it provides the confidence to buy stocks cheap ahead of the eventual institutional bailout. At market highs, it tips us off to sell when we see market players like Blackstone (the huge private equity firm) take itself public.

Remember, the institutions will always act according to their own self-interest, never in yours.

The conclusion here is that the party will continue. You must get long stocks if you have not yet done so. You must get some exposure to gold, oil, oil service and industrial metals. These are the key groups that will lead the way higher.



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