

Clark Brothers

"Get INVESTED. Stay INVESTED."

Recap

The stock market will remain frustrating, sideways, volatile, and flat out, well, flat for the foreseeable future.

Review

There are just too many indeterminable factors in regards to the stock market for any professional to make a case one way or the other for a directional stock market move. In other words, it's anyone's guess. This type of market favors the deep value investor above all others hands down.

What To Do A "trader's market" they say. Well, we first started to take notice of this phenomenon when numerous persons popped up out of the woodwork to explain to me how they wanted to "trade". First things first, I have personally studied "trading", trading techniques, professional traders, anecdotal, statistical, empirical evidence abound for probably close to 20 years. My opinion, good luck and you are wasting your time, and money (pun intended). Briefly here are the reasons:

- 1) Unless you have level II quotes (if you don't know what those are that would be another clue) you will always be one step behind the professional inside traders (most of the time actually insider trading) all of the time. Not some of the time, all of the time.
- 2) Most people simply do not have the time, training, or real life experiences to be traders. Like any profession there is a certain skill set that makes good traders. Guess what, it isn't education, or intellect, or holding a PhD from the London School of Economics. Matter of fact, these are detrimental attributes to the best "traders". Why? Because, these types of people cannot admit when they are wrong, which is essential if you want to be a trader. Want proof, google - Long Term Capital Management. Note here, the derivatives that LTCM self proclaimed "geniuses" were trading were some of the exact same derivative contracts that just recently collapsed all of Wall Street. Yes, they are playing us the fools a.g.a.i.n. !
- 3) In order for trading to be more profitable than an alternative method of investing you would have to generate unrealistic rates of return. In the highest tax bracket (remember, short term trading = taxed as income) the trader must generate profitable consistent trades = or greater than 35% + state income tax (varies) to compete with the buy and hold investor (again, assuming one is in the highest marginal tax bracket = 35%). The reason being is that the buy and hold investor owes 0% tax v. 35% + whatever your state income tax is. Furthermore, taxes are going to go up making trading even more difficult.
- 4) Lastly, the non-tangible side of trading is very unhealthy. Most traders on Wall Street burn out by the time they are 40, and are bald (i.e. they have lost their hair from the stress). Easy, enough with the snickering, I am aware of my own hair line. Stressful,

time consuming, taxing - literally, and an accounting nightmare are other intangibles outside the numbers that make trading a poor wealth creating method.

Ok, you say, somewhat of a convincing argument. How to invest then in this frustrating, nasty, volatile market? And, still feel like I am making progress, making the right investments, and not continually riding my stocks and stock mutual funds right back into the ground? Well first and foremost, one must understand what value investing is, and what does intrinsic value mean? More specifically, what is meant by fundamental analysis, and due diligence? Thousands and Thousands of entire books have been written on the above investing disciplines; therefore, it would be foolish and incomplete for me to explain them in detail here. Rather, wouldn't you entrust someone (i.e. Clark Bros.) that has read all of these books on value investing and fundamental analysis (some many times over), talked for almost 20 years with the best and brightest minds in the investment business, and been very successful with the real life application of the above methods versus say "doing it yourself on the weekends or on your spare time" or "trading"? This is tantamount to me picking up a book on surgery, military ops in Iraq, C++ programming, or counseling, or being a professional quarterback in the NFL, and believing that I can do it better than the aforementioned professionals. There is no difference other than the barrier to entry to trade stocks is so easily accessible via the internet.

In sum, this type of market is best for the buy and hold investor, not the "trader". A highly unpredictable fanatical market is what drives down great value plays like Ford or Dell (geez don't get me started) allowing the deep value buy and hold investor to accumulate more and more and more and more shares of America's best companies. When the market recognizes the intrinsic value of these companies, then the value investor will be handsomely rewarded for their patience, due diligence, and investing acumen. The naysayer may say, "well, what if that never happens". To this I say, "well, it will if you understand value investing, intrinsic value, and due diligence."

Quote of the Week

"Emotions will complicate investing a lot more than the numbers."

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Stay Positive!

Think Positive!

Act Positive!

Be Positive!

Clark Bros. is hiring Independent Registered Investment Advisor Representatives - full time, part time, anytime, anywhere. Please visit our website at www.clarkbrothersinvestments.com for more information.

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