Strategies for a Stagnant Market (Pro Tip 02)

0:00:17 Andy: Hello, Andy Tanner here and there's a quite of stir on Wall Street the past 24 hours or so from Bill Gross and Bill Gross is from PIMCO and his nickname is the bond king and so when he says stuff, people will get interested in it but this is a huge statement. The reason he started such a stir is he starts off his outlook here August 2012 by saying the cult of equity is dying and as you know, the equity market is the stock market, you own a share of a company and the bond market, here we have the bond king is the debt market. So it wouldn't be too much of a surprise to have the have the bond king say that equity is dying and he says the reason is is because we need GDP, wealth or real GDP is created at 3.5% and so he's basically saying look, this is the rate at which wealth in the country can be produced or producing goods and services and here is the wealth that we have, okay, fine. He also notes that the salaries and wages as they associate as a percentage of GDP or have been dropping, that's actually a pretty dramatic drop from 50% GDP down to 44, it's pretty big deal. What that means is corporations are producing more and more of it and the wages and the workers are creating much less of the wealth so that's kind of a big deal.

But the big one here I think is this, he says the legitimate question that market analysts, government forecast and I think this is an interesting one, pension consultants, of course you guys know that one of the things I've been critical up in the past is 401k-s so my book 401 Chaos and it says a shocking look at Wall Street's greed and deception on how you can win the battle. This deception right here is part of this, he says look, if you're gonna tell me to get equities, if you're gonna tell me to get in 401k then you've got to answer this question, you gotta say look Mr. Pension Consultant, you're gonna answer how the traditional 6.6% return that the equities market has historically delivered and this used to be a number that was around 8 basis, how is this historical 6.6 return, how can this possibly be duplicated in the future given today's initial conditions that are never been more favorable than corporate profits? So we have wage earners kinda falling here kind of a tough thing.

So this is the part that really got me though is here we got the bond king and again, it won't be a big deal for him to kinda dog equities a little bit coz he's kind of the bond king, what blows me away here is he says this: with long treasuries currently yielding at 2.55%, it's even more of a stress to assume the bond market can replicate what it's done in the past. And so here you've got Wall Street and you've got these mutual funds and mutual funds that make up 401k-s, IRAs, stuff like that, traditionally, they are about either the debt market or the equity market, you might have a bond fund, more conservative, and your equities. So if I can't go in in equities and I can't go in to bonds, what is it that I can do? This is amazing, he says, well, let's use common sense, the common sensical conclusion is clear, if financial assets can no longer work for you then you have to work for money that used to be that what was the principle of wealth creation? It wasn't working for money, it was having money work for you and here he says, okay, if money can no longer do that at a rate far and above the rate of true wealth creation which is GDP then you've got to work longer for your money, you've got to suffer haircut on your existing stuff, in your 401k-s and then your investments and you got to take a haircut on entitlements and/or possibly both if you have a pension or whatever.

So interesting stuff right here, they talk about reflating and really what they're gonna try and use if you're listening to Ben Bernanke right now in the European Central Bank, they're gonna try and use inflation to fix this. The problem is if you try to inflate this stuff is that it's not real money, it's just inflation. So interesting stuff, unfair though it may be to an investor, he should continue to expect and attempt inflation rate solution which basically means we're gonna print money, QEs of all sorts and sizes, the twist, quantitative easing, all these type of stuff. So here we have the managing director of PIMCO, so if I'm a customer of PIMCO and I say so what should I do? What can you do to help me? The only answer that he's giving me here is, well, you're gonna have to work longer. So again, it's one of the reasons that I wrote this book, I think it's more important now than ever for investors to understand what's going on with this chaos and what they can do to ask better questions of these guys. If the very people who are, what do they call them? The global, what is this, the global investment authority, if they're saying the only thing you can do is work longer, that's a pretty interesting predicament for people who don't know how to trade.

So what can you do in a stagnant market, are there things you can do? Absolutely. My course called The 4 Pillars of Investing and in there we talk about strategies you can use in a stagnant market, you can learn how to sell time. Real estate, you can go by Kenny McElroy's website and learn more about real estate or Tom Wheelwright in saving you on taxes in business. So that's kinda what we do and I'd recommend highly that you really review your next 10 years and really say, hey, sit down with your love ones and say what am I gonna do over the next 10 – 15 years because according to the Wall Street guys, the bond king here, people are setup to work longer, a lot, lot longer and take a haircut on what they've thought of. So that will conclude this morning, hope you found this valuable and some food for thought in these interesting times. Until then, until next time, this is Andy, I'm out.

END