

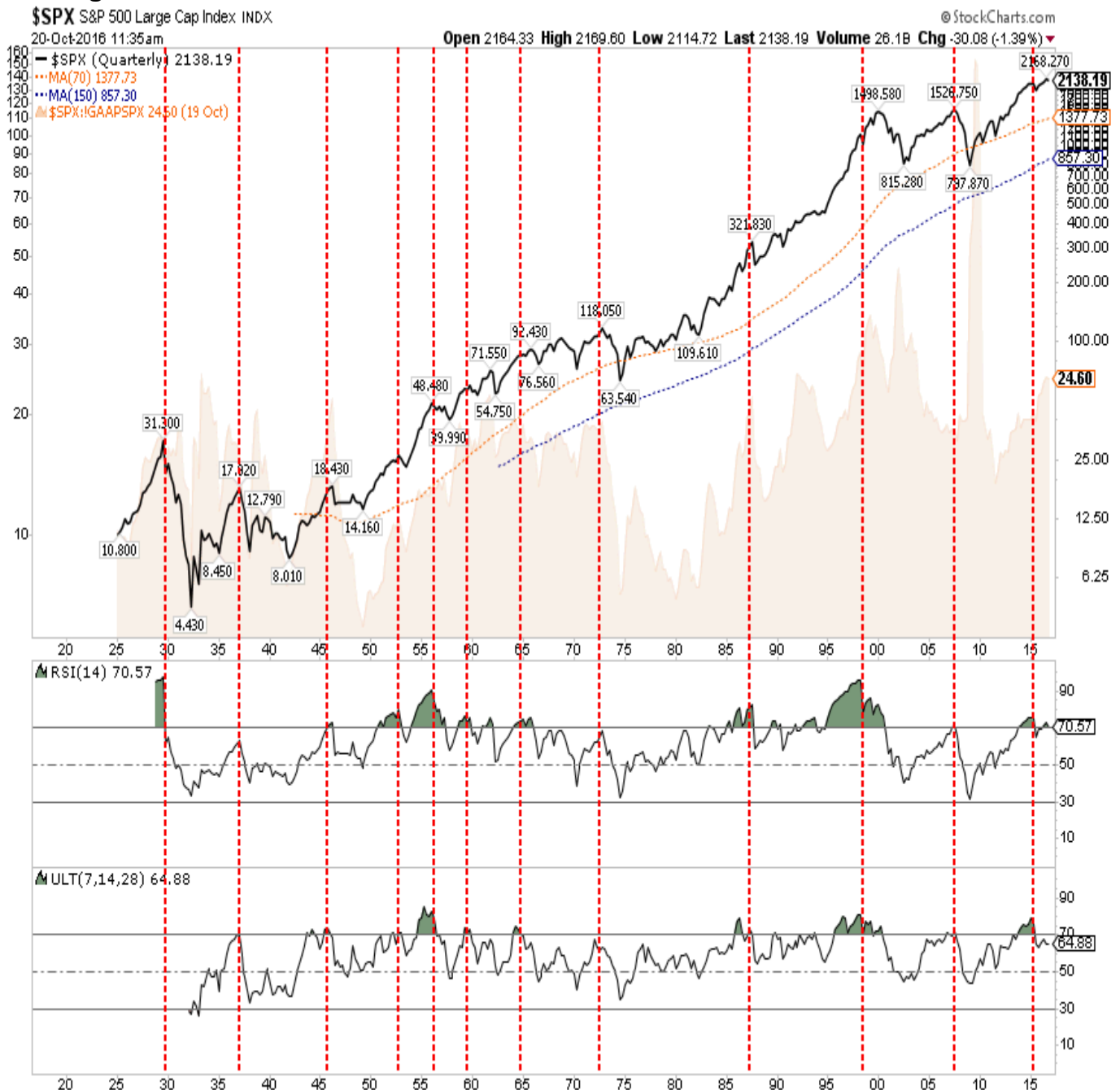


In yesterday's post, I discussed Howard Mark's view on being a contrarian. [To wit:](#)

*?Resisting ? and thereby achieving success as a contrarian ? isn?t easy. Things combine to make it difficult; **including natural herd tendencies and the pain imposed by being out of step, particularly when momentum invariably makes pro-cyclical actions look correct for a while.** (That?s why it?s essential to remember that **?being too far ahead of your time is indistinguishable from being wrong.**?) Given the uncertain nature of the future, and thus the difficulty of being confident your position is the right one ? especially as price moves against you ? **it?s challenging to be a lonely contrarian.**?*

The important point of his comment is that being too far ahead of a turning point (*either bullish or bearish*), even though ultimately being proved right, is still "*indistinguishable from being wrong.*" **However, there is a huge difference between being making the right call early, particularly when the trend is changing from bullish to bearish, and making no call at all.**•The "*buy and hold*" mantra is essentially based on•the premise that stocks rise much more often than they fall,

and since you are either too stupid or lazy to actually understand how investing actually works, you are just better off making investments and forgetting about them. Hopefully, you will win. This is the equivalent of saying: **"Since 8 out of 10 people who play 'Russian Roulette' survive the first pull of the trigger, the odds are in your favor of winning."** While that is entirely true, it is the 20% of the time you lose that matters most. The chart below shows the long-term view of the market, going back to 1920, as compared to GAAP valuations. **This is a QUARTERLY price chart which also shows the points in history where valuations have collided with extreme overbought conditions.**



While hindsight is pretty clear about what happens given the current environment of weak economic and profit growth combined with high valuations and deteriorating technical underpinnings, the ultimate outcome took months to develop. **Just as with the "boy who cried wolf," warnings eventually fell on "deaf ears" at the point those warnings actually mattered.** Currently, there is little argument the **"bullish trend"** remains intact. As such the mainstream analysis, if you can actually call it that, continues to tout the inherent benefits of low cost, passive indexing and the ultimate **"chase for yield."** **However, it is here the real danger lies. Much of the monetary flows into passive indexes is actually NOT PASSIVE. When the eventual reversion comes, and it will, the pain inflicted on individuals, as is always the case, will turn "passive indexers" in "panicked sellers."** It is here that being a contrarian will pay its dividends.

Unfortunately, as is too often the case, there are few individuals who actually "*sold high*" in order to "*buy low*" when the real long-term investment opportunities are "*laid to bare*." In the meantime, here is what I am reading this weekend.

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## Fed / Economy

- **Why Won't The Fed Raise Rates** [by Norman Mogil via SoberLook](#)
  - **The Fed Has Made A Massive Policy Error** [by John Mauldin via ZeroHedge](#)
  - **Draghi: So Far We See No Evidence Of Bubbles** [by Tyler Durden via ZeroHedge](#)
  - **Zombie Banks Stalking Europe** [by David McHugh via AP](#)
  - **Raoul Pal: A Recession Is Coming** [by Barbara Kollmeyer via MarketWatch](#)
  - **Global Debt Exceeds Levels Of 2008** [by Robert Samuelson via RCM](#)
  - **Yellen: We May Not Know What We're Doing** [by Jeffrey Snider via Alhambra Partners](#)
  - **The LIBOR Wrecking Ball** [by Lisa Abramowicz via Bloomberg](#)
  - **Economy: America's Top Problem** [by Zac Auter via Gallup](#)
  - **We Are Getting The Wrong Kind Of Inflation** [by Rex Nutting via MarketWatch](#)
  - **Many Americans Balancing 2 or 3 Jobs** [by Paul Davidson via USA Today](#)
  - **Economic Indicators Not Caught Up To Market** [by Joe Calhoun via Alhambra Partners](#)
  - **Fiscal Policy: Cooking The Books** [by Ed Yardeni via Yardeni Research](#)
  - **Subtle Forward Guidance: Best Practice** [by Eugen von Bohm-Bawerk via Bawerk.net](#)
  - **Economy Cracking Under Too Much Debt** [by Adam Taggart via Peak Prosperity](#)
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## Markets

- **Global Debt Investors: Led To Slaughter** [by Danielle DiMartino-Booth via Money Strong](#)
  - **The Tide Is Going Out On Stock Pickers** [by Rachael Levy via BI](#)
  - **The Single Worst Investment Today** [by Brett Owens via Forbes](#)
  - **Barron's Big Money Poll: Bulls Rule** [by Jack Willoughby via Barron's](#)
  - **Signs Of Strain Between Stocks & Bonds** [by Carla Fried via New York Times](#)
  - **Beware Randomly Falling Markets** [by David Keohane via FT Alphaville](#)
  - **The U.S. Has Its Own Oil Curse** [by Ellie Ismailidou via MarketWatch](#)
  - **Dumb Chart Predicts Crash** [by Paul La Monica via CNN Money](#)
  - **A Better Way To Index** [by Ironman via Political Calculations](#)
  - **Debts, Deficits & Housing: The House That Fraud Built** [by Aaron Layman](#)
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## Interesting Reads

- **Why Toxic Politics Can Foster Economic Crisis** [by Mohamed El-Erian via MarketWatch](#)
- **Kaepernick Or Peak Football As Ratings Decline** [by Stephen Carter via NY Post](#)
- **The Best Way 64% Can Boost Retirement Savings** [by Paul Katzeff via IBD](#)
- **Firing Line Conversation W/ James Grant** [by Neal Freeman via National Review](#)
- **Everything You Need To Know: Elections & Markets** [by Jeff Desjardins via Visual Capitalist](#)
- **5 Books Clinton & Trump Should Read** [by Caroline Baum via MarketWatch](#)
- **Strange How China Keeps Posting 6.7% Growth** [by Leslie Shaffer via CNBC](#)
- **China's Stable Growth & Price Of Reform** [by The Economist](#)

- **Fed, Damned If They Do Or Don't**[by Anthony Mirhaydari via Fiscal Times](#)
  - **History Will Judge Central Banks Harshly**[by Desmond Lachman via AEI](#)
  - **Yellen & Fischer: Same Song, Same Book**[by Marc Chandler via RCM](#)
  - **The End Of Stock Buybacks**[by Bryan Borzykowski via Morningstar](#)
  - **The 1970's Sans Inflation**[by Scott Sumner via The Money Illusion](#)
  - **Don't Wait For A Catalyst To Sell**[by John Hussman via Hussman Funds](#)
  - **Bear Funds Go Into Hibernation**[by Dana Lyons via Tumblr](#)
  - **How Yellen Rationalizes History's Biggest Bubble**[by Jesse Felder via The Felder Report](#)
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***"The only reason a great many American families don't own an elephant is that they have never been offered an elephant for a dollar down and easy weekly payments..? ?"***[Mad Magazine](#)

Questions, comments, suggestions ? please [email me](#).