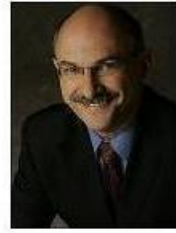


# Steven L. Pomeranz

FINANCIAL MANAGEMENT



## Ever Wonder Which Way Is Up?

As an Investment Advisor, I am wrapped-up in the daily ups and downs of the stock and bond markets, or am worrying about inflation, deflation or just “flation” - either “in” or “de” or “stag” or “re.”

I constantly ponder questions like “What types of stocks will do better - large companies, small companies, domestic or international?” And “What direction are the markets headed in?”

For some silly reason, I always think that most Americans are thinking about this stuff too. I forget that this is what I do for a living and that most people don’t think about this very much. And they shouldn’t.

Most people get their financial news by catching snippets from newspapers, websites, radio, watching guys like Jim Cramer on CNBC at the gym, or by listening to my show or reading my blog (hint, hint - [blog.slpomeranz.com](http://blog.slpomeranz.com).)

### **Technical Analysis**

So, while I have your attention, allow me to acquaint you with two “technical” views on where the market is headed.

By the way, Technical Analysis is simply looking for patterns and trends in financial data to glean “insights” – really just guesses - on where the markets may be headed next.

Truth is, no one really knows where the markets are headed. But markets do trade on technical analysis – sort of like the tail wagging the dog – making some of it a self-fulfilling prophecy, till some cataclysmic “real” event washes away all theories. Sort of like the dot-com bust or the mortgage market collapse where reality ultimately trumps theory.

### **Two Technical Views on Market Direction**

The two technical analysts I follow are Lowry onDemand and Hedgeye.

On the one hand, Lowry sees bullish patterns in the data. Here's an excerpt from last Friday's market commentary:

"... any period of weakness should probably be viewed as an opportunity to add to equity positions. Investors might find this a good time to look for stocks with strong technical ratings in strong sectors and groups."

You can sense that Lowry does not believe we are headed for another nasty downturn.

Hedgeye doesn't agree. While Hedgeye analyzes technicals, they also closely follow the state of the US and world economies. Here's the gist, in my words, of what Hedgeye principal analyst, Howard Penney, sees:

"... a weakening labor market, softening consumer confidence, softening housing activity and retail sales, and an intensifying trade deficit - the early stages of a renewed economic decline."

### Summary

While Lowry sees no near-term threats, Hedgeye believes another downturn is just around the corner. So there you have it, diametrically opposite views from fairly intelligent people. Welcome to my hell!

The bottom-line is, how important are their predictions for the short-term? The answer is: not very... because short-term market movements are not all that important.

The point is, many companies will create wealth over time so maintaining the assets you have in the market and adding during market dips should suit you well.

By the way, most money managers and so-called stock market experts fare no better than you when it comes to picking winning stocks. So listen to all commentators with a grain of salt. We may sound confident, like we know what the future holds, but alas we do not!

Building a portfolio based on trying to foretell the future will always lead to disaster. Generally speaking, buy good quality stocks, diversify, and let it ride.