DON'T FORGET!!

Be sure to follow *The National Investor* on Twitter -- @NatInvestor

**And on Facebook ("Like" us there!) --
at https://www.facebook.com/TheNationalInvestor**

Dear Chris,

Chris Temple
Editor/Publisher

On YESTERDAY'S PODCAST I quite uncharacteristically (for me) made a bold market call. I even took Cory by surprise!

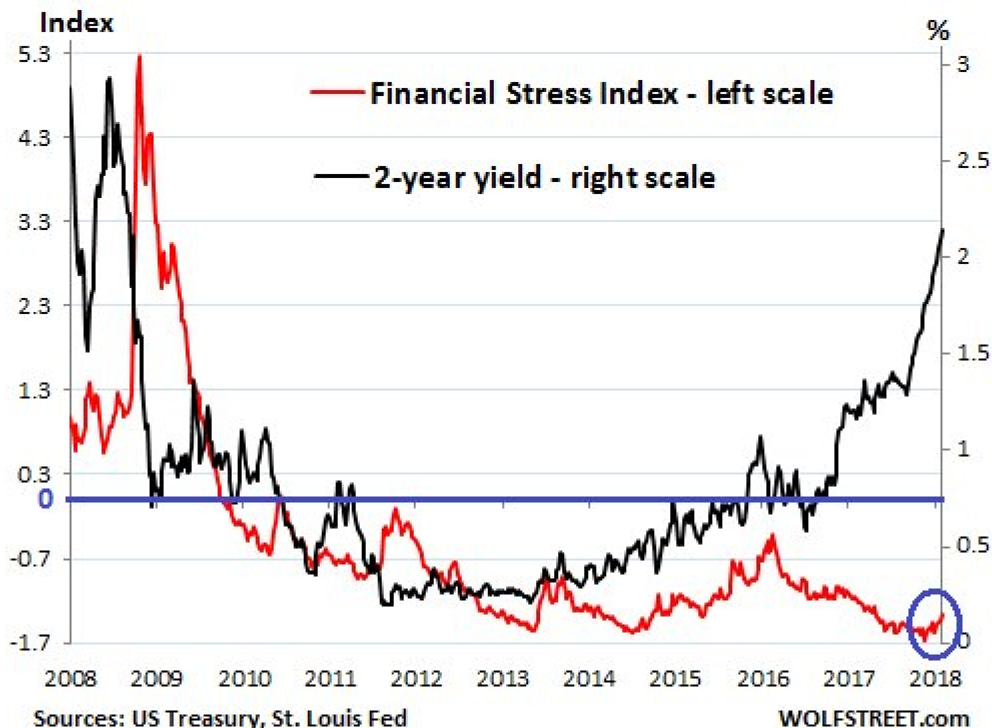
I predicted that -- at *whatever level* it ends up being, most likely a little either side of 3.25% or so on the 10-year Note -- *long-term* interest rates will hit their peak for this cycle before 2018 is over.

If you didn't do so already, take a few minutes to listen to my discussion with Cory yesterday. In it, I begin to explain why I have this view now.

(**NOTE**: I will be greatly expanding on those thoughts in the next issues of *The National Investor*, which will include updates on numerous of my portfolio recommendations as well. If you do not have a current Membership with me, VISIT ME HERE now to fix that!!)

At first blush, you can be forgiven for thinking I'm early in that prognostication (or NUTS.) *Indeed, this morning's hotter-than-expected news on inflation underscores one of the two key reasons why interest rates have been rising in the first place.* Together with the other--soaring deficits and the increased supply of debt thanks to President Donald "The King of Debt" Trump and Congressional leaders--some say rates have a LOT higher to rise, and will be headed higher for *years*.

There's only one problem with that open-ended scenario; at least where sovereign (i.e.-Treasury) debt is concerned.



YES, for as long as markets function all right and remain orderly *and liquid*, the Fed will continue its methodical steps to "normalize" the nearly decade-long E-Z monetary policy it ran. . .until it breaks something, or some other market/geopolitical event scares the daylights out of everyone and causes **the inevitable about-face**. So far, despite the rise in interest rates, *financial conditions remain generally fine*.

But already, there are initial signs that a global economy choking on ever-rising levels of debt--and most businesses and consumers likewise--simply cannot handle much of a rise without breaking *themselves*. I'll be discussing how. . .down the road before too many months go by. . .these factors will become more evident and lead to a peak in this rise in interest rates.

For present purposes, *two things* I'm watching on the other side of the world are feeding off each other and--if they continue--may bring about the scenario I envision *even sooner*:

1. **Chinese stocks' plunge** -- While, *so far,* U.S. stocks held their own 200-day moving average before bouncing, Chinese stocks OBLITERATED their own. As I have been explaining for months, *this* stock chart is arguably even MORE important to get your head around.

The successful management of **its world-beating debt load** means that China cannot afford anything but a resumption of the upward trend for its stock market.

2. **The surge in the Japanese yen** -- More than with any other fiat currency--even the greenback--when you see the yen surge higher when fundamentals DON'T support that, *watch out*. Though things in U.S. markets for now are *relatively* more calm, the yen's rise tells you that a "risk off" mentality may be taking firmer hold.

These two events are moving from flashing yellow to RED if they continue.

Again, I'll be discussing these factors in the next issue in greater detail.

WHAT TO DO?

1. As with our now-closed (and NICELY profitable!) trades to short both the broad stock market and the natural gas price, I'll be looking for

the most glaring opportunities for **directional trades** in either direction as I see the "ingredients" there.

We've also done very nicely in **our ETF's that short Treasuries**; but as I'll be explaining further, we are closer to the end than the beginning of those moves now.

The objective will be to add 1 - 3% or so to our *overall* portfolio return with carefully-timed, modest trades such as these *each time*.

2. **Keep a LOT of powder dry.** After pulling out of those recent trades into ETF's that short the S&P, Nasdaq and nat gas, we're up to a **50% cash position** again in our allocations (conservative portfolio) and nearly 40% even for growth-oriented ones.

Don't be in a big hurry to do ANYTHING.

And for you gold bugs / resource stock-*only* investors out there who think the world revolves around nothing else, be prepared for *more losses* in the coming several months before it's time for those of us not so "religious" to LOAD UP AGAIN.

ONLY make ***company-specific*** *investments in metals; not broad sector ones (ETFs).*

3. **Pick off (or add to)** ***good companies*** **slowly.**

Make no mistake: good companies are getting caught up in the recent hissy fit on Wall Street too, as spoiled traders try to deal with the reality that sometimes stocks can also go down. Some of them are on my own recommended list.

But as I commented on yesterday's podcast (mostly where **energy service stocks** are concerned) unless you think that the jig is up NOW and markets/economies are about to collapse, there are a lot of bargains out there.

I continue to advocate modest portfolio allocations to carefully-selected companies; and a few key sectors.

And that's because the *good aspect* of the recent turmoil that has returned *a two-way market* , as I wrote to you this past weekend, is that **fundamentals matter again more than they did.** For as long as that lasts--and though it will be messy at times along the way--we will take advantage of that.

"Can we just pick stocks based on what the companies are worth?" asked the ever-hyper Jim Cramer on *CNBC* a few minutes ago, as always channeling the comic Bobcat Goldthwait with his borderline-hysterical performances. YES, Jim, hopefully for a while that will work better again.

4. **Get ready for the NEXT policy shift by the central banks; led once again by the Fed.**

It may be as dramatic as 2008 or it may not. But inevitably, this deficit-fueled (for the U.S. especially) and lingering Q.E.-fueled "growth" in the global economy will peter out. The markets will turn on their master/creator once more. Central banks will have no choice but to reverse course; and maybe, as I have often quipped, add an extra "zero" to the NEXT Q.E. gambits they will be *forced* to undertake.

When that happens, gold bugs will *really* have their day again.

Treasury *prices* will also rise anew as long-term yields peak and begin to fall.

"The Odd Couple" will return.

What will REALLY be great, especially for more conservative investors, is this will bring to a final end the water boarding that many a good high-dividend company is going through; many of these declines completely at odds with fundamentals.

Indeed, as Members already know, I added one of my favorite REITs back to my recommended list *yesterday*.

We sold this one back on December 1 for *a better than 150% total return in just three years*. Since then, the share price has dropped 35% despite the *company* just getting better, bigger, ever more profitable, raising its dividend and more.

There will be more of these in the months ahead; and a LOT of them as we reach this cyclical peak in interest rates later.

Don't miss out!

AND DON'T FORGET -- If you are not a current Member, VISIT ME HERE to make sure you get all this--*and updates on numerous more of my recommendations*--as soon as the new issue is released.

All the best,

Chris Temple -- Editor/Publisher
The National Investor
https://nationalinvestor.com/

You can get information anywhere. Here, you get *knowledge*.

National Investor Publishing, P.O. Box 1257, St. Augustine, FL 32085-1257

SafeUnsubscribe™ {recipient's email}

Update Profile | About our service provider

Sent by chris@nationalinvestor.com in collaboration with

Try it free today