



# What's New?

Feddern Financial Consulting Group Newsletter

**October 11, 2009**

## **KEYS TO THE BEGINNING OF A RECOVERY:**

- 1. The Real Estate market must stabilize. If not reversing, at least not continuing to fall. *NEW HOUSING STARTS UP this past Spring and Summer because of seasonal factors but inventory still huge! The Nationwide COMMERCIAL COLLAPSE IS JUST BEGINNING!***
- 2. Unemployment must stabilize. If not reversing, at least not continuing to rise. Last report was lower! *IT'S ACTUALLY WORSE as a "%," Back to near 10% - BUT IT CONTINUES TO MOUNT @ OVER 300,000+ weekly.***
- 3. Corporate Earnings (profits) must stabilize. If not reversing, at least not continuing to fall. *A FEW POSITIVE SIGNS but mainly in TECHNOLOGY.***
- 4. Banks must begin to make loans again (especially to small businesses and potential home owners...albeit under ancient premises of buyers being qualified and of all things, a down-payment! *Lots of "hoopla" from the mega banks, but it appears that there's no real progress. They're "hoarding" any cash they can get their hands on. And now here comes the Regional problems compounded by PRIME loan and Alt-A resets!***
- 5. The DOLLAR has to decline. *It's started for REAL!***
- 6. Auto sales must stabilize at some NEW level. *Maybe started!***
- 7. The consumer must get "back in the game of consumin'" *NO WAY!*  
*ANALYSIS OF THE ABOVE: No Real Hope YET! -10/11/2009***

## **Harry Dent REBUFFED!**

Alexander Gant has the following poignant rebuttal of Harry Dent's futuristic economic pronouncements. This is simply a rather logical look-back at Dent's past projections versus his results.

As they said in the movie "Poltergeist": "They're baaa-aaack."

Who's back? Harry Dent, the self-styled "economic futurist," who presumes to tell us about the great economic booms and busts that lie ahead.

**How can he possibly know these things?**

**According to Dent, an analysis of the "highly predictable" nature of consumer spending based on demographic trends - increasing spending during child-rearing years, peak spending as the kids leave home and slower spending during late work and retirement - reveals what lies ahead for the economy and the stock market.**

**Dent is a man worth listening to. After all, he has a near perfect track record - as a contrary indicator...Dow 44,000 and Other Flimsy Forecasts**

**For example...**

- **With less than auspicious timing, Dent brought out The Roaring 2000s Investor in 1999, confidently predicting that the Dow would hit 44,000 by 2008. With the luxury of hindsight, we now know he was off by 30,000 points or so.**

- **At the time, Dent also argued forcefully for NASDAQ stocks, predicting, "The technology revolution will favor Internet-oriented companies." Within three years, the NASDAQ lost three quarters of its value and the leading index of Internet stocks plummeted 89%.**

**And Dent didn't confine his predictions to the U.S. He further forecast that Argentina would see "moderate growth until 2015 and then stronger growth into 2025." No, Argentina would suffer a currency collapse and financial crisis followed by rioting, social unrest and years of economic stagnation.**

**It's obvious now just how wrong Dent was. But 10 years ago, plenty of brokers and investors agreed with him. He sold hundreds of thousands of books and raked in millions as an advisor to top Wall Street firms, including Morgan Stanley (NYSE: MS).**

## **Dent's Next Bold Prediction: The Great Depression Ahead**

**Five years later, bloodied but unbroken, and using his same demographic trends theory, Dent published The Next Great Bubble Boom: How to Profit from the Greatest Boom in History: 2006-2010.**

**Well, no. That period encapsulated the biggest bust since the Great Depression. As for his revised forecast of Dow 40,000 in 2009, it looks like he's off by 30,000 or so points again.**

**With a track record like this, you might imagine Mr. Dent would shy away from economic prognostication.**

**Yet he's promoting a new book. And if you're looking for a reason to be optimistic about the market, you'll find it in his chosen title: The Great Depression Ahead. Within weeks of the book's publication, the Dow began a 48% ascent, one of the six biggest rallies in the last 100 years.**

**Look, I'm not entirely unsympathetic to Mr. Dent. Anyone in the investment prophecy business needs the skin of a rhino and a Ph.D. in humility. No one gets it right all the time.**

**Moreover, Mr. Dent has made hundreds of predictions in his long career, so I'm sure he can point to a few successes. (Of course, so can an orangutan heaving darts at the stock pages.)**

**It's just that Dent has made millions in book sales and investment advisory fees peddling this mumbo-jumbo. (Poor advice does have its consequences, however. His AIM Dent Demographic Trends fund severely underperformed the market and was quickly folded into another fund. His name was quietly dropped.)**

**Yet Mr. Dent is still out there, offering dubious advice based on faulty premises. The truth, of course, is this...Forget Dent... Listen to This Advice Instead**

**While anyone can make a good call from time to time, no one can consistently predict the economy or the stock market.**

**If you don't accept this - a fundamental investment tenet with great investors from Benjamin Graham and Warren Buffett, to Peter Lynch and John Templeton - your chances of long-term success are slim.**

**Yet Mr. Dent clings to his demographic theories and economic futurism. And that's unfortunate. Someone really ought to let him in on one of the great secrets of investing: Your only real mistakes are the ones you don't learn from. - END**

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**[www.fedderngroup.com](http://www.fedderngroup.com)**

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