

# 2015 YEAR-END MARKET CYCLE STATUS REPORT

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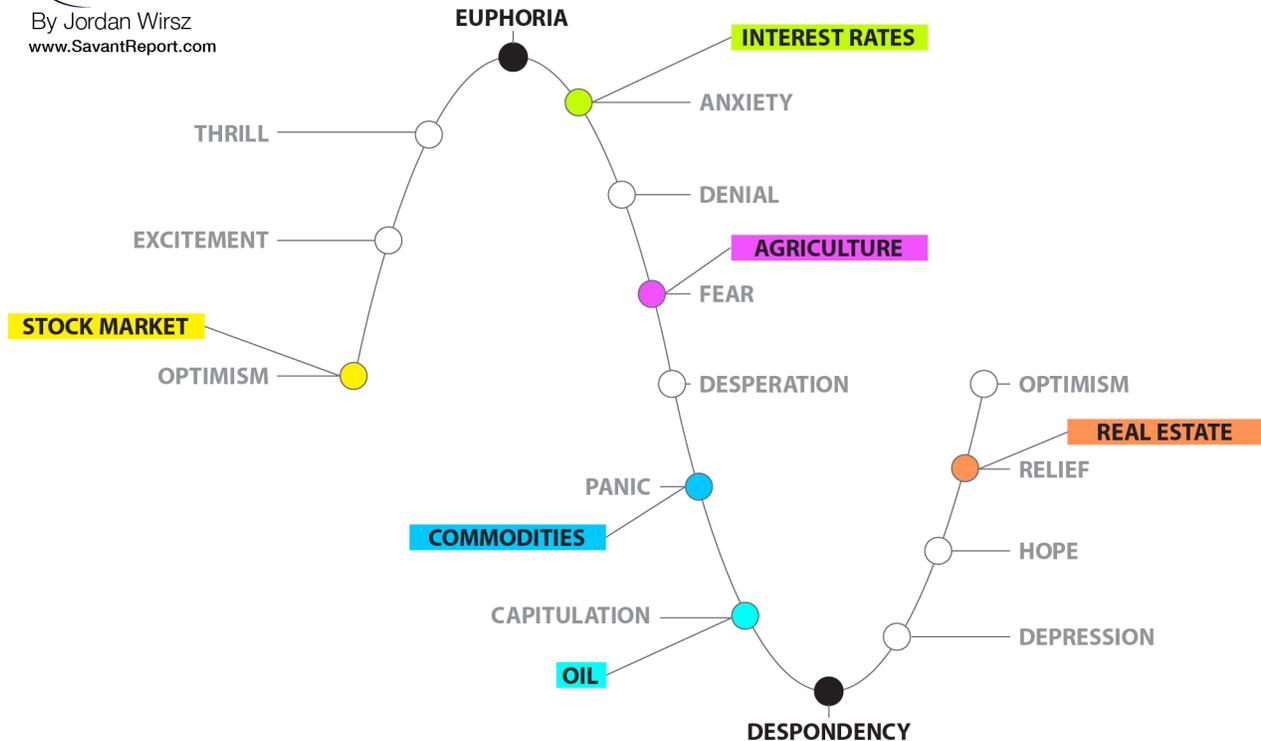
For this upcoming year, we prepared a special graphic for our investors that displays where we believe several market cycles are sitting in one simple place. Stocks, Oil, Gold, Real Estate, Commodities, etc. listed here!

## The Cycles: Where We Are

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Knowing when and where to invest is key in long term investing success. Cycles always have the key component of emotion in them. Sir John Templeton is the author of one of my favorite quotes:

Bull markets are born on pessimism, grown on skepticism, mature on optimism and die on euphoria. The time of maximum pessimism is the best time to buy and the time of maximum optimism is the best time to sell.

**Sir John Templeton**

*Perhaps the greatest controversial investor of all time once said*

As you can see from our market sentiment cycle indicator, the bullishness and bearishness of emotions play an important role in market tops and bottoms. I use this sentiment chart to help me guide my buy triggers and sell triggers for investing (\*NOT\* TRADING). Remember, investing is a medium to long term game, so we're not trying to time the bottom perfectly, we're simply trying to buy good value.

Most investors are highly emotional, and thus, why many investors continue to fail over and over again, constantly trying to "out smart" the market on this day, or that week. The greater challenge is out smarting the cycle, not trying to catch minuscule trades, but rather catch the big wave in a big way.

The bottom line for Market Sentiment Cycle Measures:

1. The stock market is about halfway up the bull market cycle... More to come, but caution for pullbacks and volatility!
2. Interest rates have bottomed. The Fed raised rates, and the market didn't panic. That is GREAT news for the Fed...Expect more (small) raises to come.
3. Agriculture (commodities and farmland values) have peaked, and panic is setting in. Beware, there is a loooong ways for them to continue going (down) from here still!
4. Commodities in general (Goldman Sachs Index is one measure) including precious metals is in the panic mode...But not quite bottomed in my opinion. WAIT to buy the precious metals and commodity ETFs.
5. Oil is incredibly underpriced. The market cycle topped and it has swung way too far to the downside. Will it continue to go down? Yes, maybe a little. But extended periods of time at these price levels is what is going to hurt energy investors the most...And what is going to create incredible opportunities for us to buy in at record low prices. Be patient, we have just a little ways to go until we have "despondency" and it's time to buy...
6. Real estate – first of all, Residential Real Estate is slowing...As expected...A little pullback would be healthy. Commercial real estate is booming – there is so much capital finally making its way into the market now. We're finally at "relief" in Real Estate, and maybe a little optimism. But we're just starting the way up in what is a much larger bull-market cycle.

I didn't mark the economy on this cycle chart, but I will do that next time. The economy has grown, the wealth effect

is running on 4 of this economic engine's 8 cylinders. We have more room to grow, and we will...But possibly\* not without a little setback between now and then.

A book that I highly recommend reading (often) is "The Zurich Axioms" – a wonderful read about the lessons of emotional and flawed investing decisions and how to avoid them. This book will assist in helping you remain disciplined in the cycle based investment strategy with your head firmly planted in the right place.

In market news: The markets should be pretty quiet this week, and next week, and I'm not expecting any big surprises in any of the markets unless we have a big surprise (terrorism) over the holidays. Gold is steady, so are stocks, commodities are quiet, oil is pretty well settled in the mid \$30's for now, and I expect it to be the 2nd week of January before things pick up pace again. One area that is getting noticeably more quiet is the housing market, which seasonally slows during this time of year.

Stay wealthy my friends,

Jordan Wirsz

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