

Toothpaste for What?

We're always told to brush 3 times a day and floss often, most of us do it and as we get older we do it more diligently. I think back to my childhood and regret not being a better steward of my dental health!

Obviously toothpaste has evolved over the years and now has fluoride and many other goodies that help us stay well and keep our teeth. We've run into some clever uses of toothpaste that I'd never thought of so we're going to share these little tidbits of great information with you!

- Sooth a burn
- Help your teens dry up pimples (much cheaper than Xout!)
- Strengthen your fingernails. This is only good if you have already healthy nails as it may cause them to dry and crack.
- Treat poison ivy
- Kill strong odors like garlic, onions, fish and other pungent items with a quick scrub
- Add to skin lotion and rub on bruises for an accelerated healing of the bruise
- Remove gum from hair, the sugars in the gum are no match for the cavity fighting goodness
- Kill the hair dye that touches your skin if you dye your hair. You must have hair to have this problem and clearly I have no idea what it would be like! 😊

Continued on page 2, Toothpaste for What?

INSIDE THIS ISSUE

2. Toothpaste for what?; Sentiment Inversion
3. Noteworthy News; Contra Indicators
4. \$ Quiz; Legalized Crack? 1999 Repeat!
5. Inspirational Quotes; Kids Corner

The Business Cycle

Very complicated is the business cycle, but there are clear rhythms to it that one can follow to help with how to behave as a participant in the economic environment. Here is a graphic of the business cycle from 1948 – 1952 below. You can see the cycle mimics the economic output of the GDP of the country. Back in the 50's we had some amazing GDP numbers as the economy actually pumped out 13% growth at the peak. Today we're seeing 3% economic growth and people are celebrating at the large growth numbers. We'll never see 13% growth again because we're a mature economy and small economies can grow very quickly while larger ones will grow much slower as they've past the "development" stages. Note this is a huge opportunity for investors as the emerging markets offer many economies that will grow in the double digit percentages for many years as they transition from emerging markets into developed markets.

The business cycle is used to measure the rise and fall of the real gross domestic product (GDP). The chart below shows an example of how the U.S. economy expanded and contracted after World War II, following periods of population growth, migration to cities and consumerism.

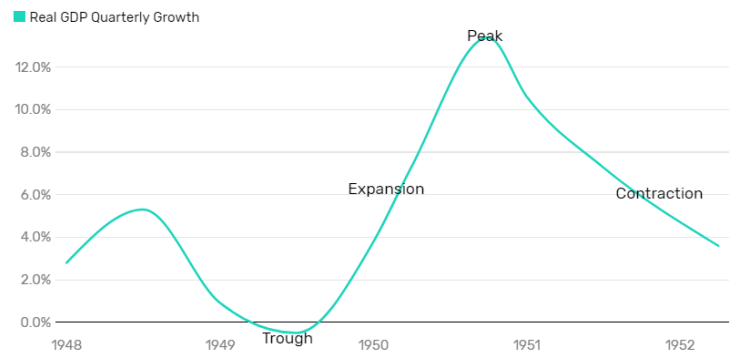


Chart: The Balance • Source: Investopedia

Note the normal business cycle is just a 4-5 year process. What we've seen in the past few decades is really unprecedented. We're now in an almost 10 year "expansion" and I use quotes only because we're expanding because of the massive debt issuance. We should modify the equation so we're showing net expansion, taking away the debt issued by governments to stimulate the economy. We also had a massive 10+ year expansion going into the 1999 economic top that we all now refer to as the dot com bubble. What's normal about the business cycle is when people are happiest is when things are riskiest and vice versa. When people are terrified over something, that is when the opportunity is greatest.

Continued on page 3, The Future of Higher Education!

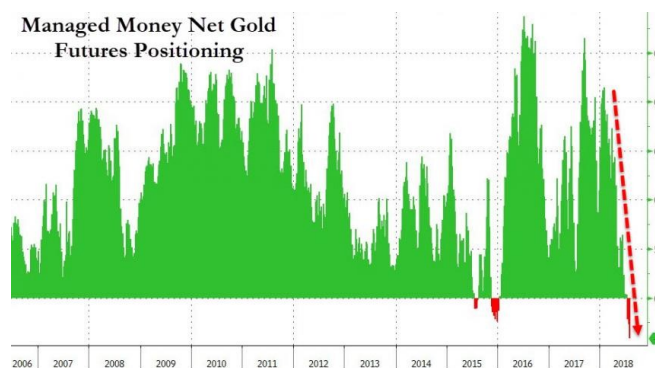
Toothpaste for What? (cont'd from page 1)

- Clean linoleum scuff marks that nothing else will take off
- Remove a tough carpet stain – apply directly and rub off with a firm brush especially effective on ink, makeup and grass stains
- Erase crayon marks. This may be Crayolas worst nightmare! ☺
- Make silver sparkle like new – jewelry or your best dinnerware
- Make your diamonds shine as well.
- Erase scratches on your DVD's or CD's.
- Clean your piano keys
- Clean hair straighteners
- De-fog or de-mist goggles
- Polish and clean chrome – rinse with water and buff when done, the mirrored finish returns
- Remove scuffs or marks on leather. Apply it with a soft cloth and gently rub out the unwanted marks
- Watermarks on furniture are no match for a soft cloth with toothpaste, don't apply too much pressure here it's an abrasive.
- Make your sink drain smell better, leave a dollap in there for 10 minutes, the difference is fascinating
- Refresh your old stale tupperware boxes
- Freshen your cars interior by putting some in a folded paper towel and storing it under your cars seats. The heat will unleash the smell of the toothpaste.
- Polish your cars headlights and get rid of that foggy film that can develop on them.
- Revive an old and tired screen to your cell phone or tablet
- Remove stains on outdoor plastic furniture
- Clean out the grime on your refridgerator seals
- Neutralize a skunk attack, hopefully on your dog!
- Keep stubborn stray hairs in place!

Sentiment Inversion

Sentiment can be read a variety of ways, normally viewed as the attitude toward a situation or event. This is generally an opinion shared by a large group of people on any subject. When sentiment is positive on something most typically feel it's a great thing and vice versa. Sentiment ebbs and flows based on the changing times of the world, we now think that common sense is bad in the view of the political class. I don't know that this has been the case before, but it is today. Kicking the can is easier for them than doing the right thing. We all know better and it too will change, but for today we wait it out.

We have a very useful tool here in sentiment and we use it in the opposite fashion most would, we use it as a contra indicator. As investors we don't want to do what everyone else is doing, we instead want to find value where others are missing the boat. When sentiment gets very negative for something we're normally all over it, as long as that something is fundamentally solid and a future exists for it. We find when only 8% of the population is liking something and it's at or around the bottom. We're big fans of mining companies today, they are linked not to stocks but to the price of gold. Here is an example of massive negative sentiment on gold. We're negative on sentiment, something we've only seen twice in a decade plus. For contrarians like us, the negative sentiment is something that is even juicier than low sentiment.



Thanks to Bloomberg for the chart!

Note the current sentiment is more negative in the winter of 2018 than it has been in the prior 12 years. We saw a small negative in late 2015 the last time we hopped on this train and it delivered a quick 12 month ride that was exhilarating. What will this ride deliver we'll never know until it is over, but we like the idea that everyone hates the asset, the asset is incredibly cheap relative to where it's been in the past 30 years and relative to other assets we could own.

Noteworthy News!!!

- Congratulations to Colleen Butcher on her new job with Middlesex Hospital!
- Our condolences to the Lanzito family on the passing of John, a wonderful man, husband, brother, father, uncle, grandfather, great grandfather person and friend.
- Our condolences to the DiChiara family on the passing of Mary, a wonderful woman, wife, sister, mother, aunt, grandmother, great grandmother, person and friend.

Question & Answer

Ask any financial question you have and we'll address it here.

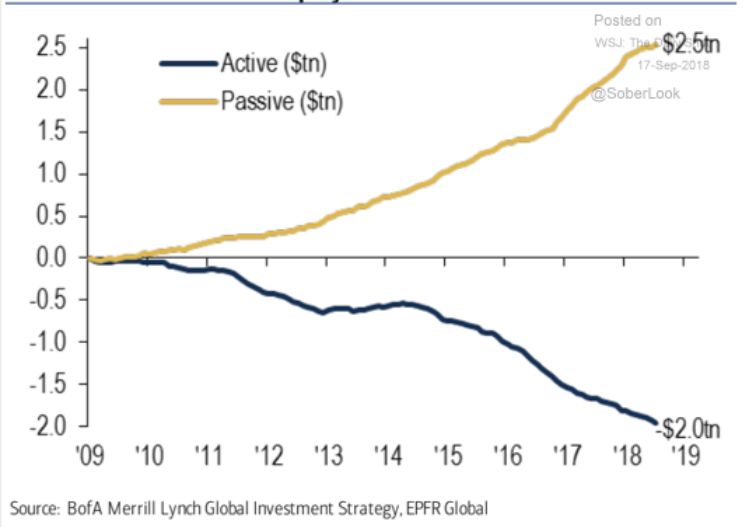
Q: How is indexing hurting markets?

It's hurting markets by everyone chasing the same things. We get these manias in markets when everyone wants the same things, it ends up chasing those asset prices to extreme levels as so much money flows into the popular things. We saw this crystal clearly last year with Cryptocurrencies. Now they've played out as nothing more than a speculative bubble.

The concept of indexing has become so popular and so much money is chasing it we'll see the same thing. Here is a great infographic showing just how much money is chasing passive strategies vs active strategies, so much it should alarm people!

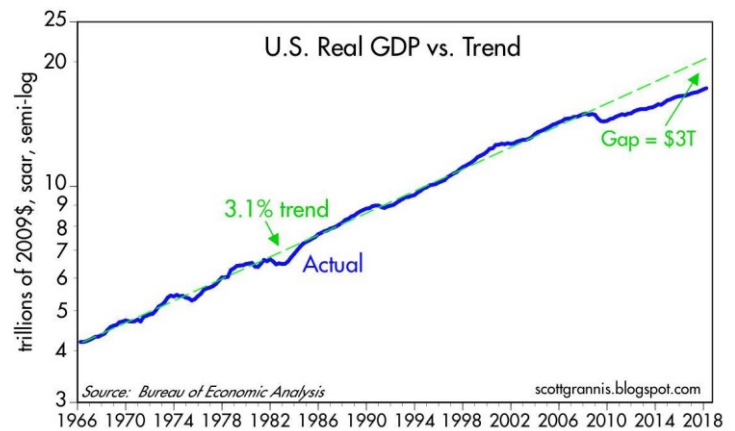
This creates massive opportunities for value investors like us.

Chart 3: Active vs. Passive equity flows since 2009

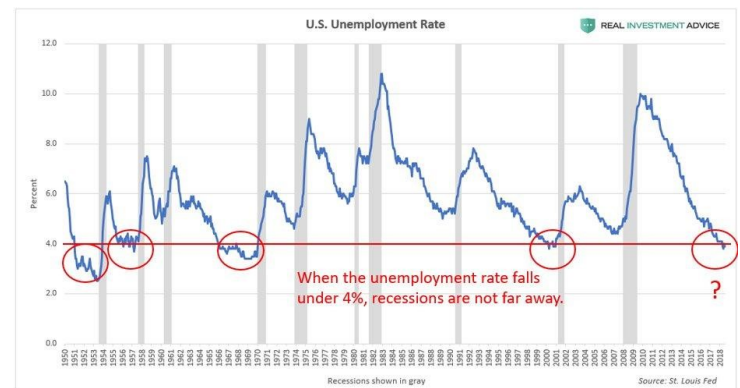


Look at Brazil today, impeaching their president earlier in the year and going pro business – it looked scary but was truly a rare opportunity.

Let's look back long term now and see how the economic growth today compares to a long term trend. It doesn't, period. We are a very mature economy saturated with debt which means lower growth. We need a reset that a recession, or perhaps even a depression will bring, and the cycle close will provide that reset. Don't fear it, the resets clear out the excesses of an economy. It will unleash opportunities for those of us looking above the fences and not reliant on forever increasing markets.



Now within the framework of the business cycle we look at unemployments as a component of the economy and find very useful nuggets of information. Here we have the long term unemployment rate going back 70 years.



Note the ultra low numbers we're seeing today haven't been with us since 1999. Before that it was the late 1960's. Note also that the shaded areas are recessions. This economy is banging for sure today. We've had tax cuts, regulation cuts, all of which are good. They come late in a cycle dominated by debt and we'll roll over soon. We've seen a trend where ultra low unemployment as we have it today generally are not sustainable and represents an economic cycle top, that typically is followed by recession. We may bounce around here with ultra low unemployment for some time, but I don't expect it to get much lower.

Money Quiz



This month's challenge is on energy. The US has become an energy powerhouse, much to the chagrin of the Middle East. How much crude oil are we now producing as of Sept of 2018? ☺ Last month's quiz was won by Phil Lopezzi, the median cost of an assisted living facility, private 1 bedroom, is \$3,750 per month. We're clearly in an expensive state! Winner goes to Ruby Tuesday on us! 12/10/18:12

The Fed Legalized Crack!

When the big financial crunch came upon us in 2008, the world was scared. People thought the banking system would cease to exist. We witnessed businesses and consumers behaving very badly. To restore confidence in the system the Fed starting printing money, lowering rates and coming up with unconventional financial techniques like QE, asset purchases, etc. This all made sense in the depths of the financial crisis to restore confidence in what seemed like a broken system.

A few years later we're back to normal and we thought the Fed would restore financial monetary policy to normal as well. That didn't happen and not only our Fed, but the ECB, the Japanese Central bank along with most others instead put the pedal to the metal and went hog wild with printing money in an attempt to as they put it "reflate asset prices." The reflation was only due to monetary policy and now investors are like crackheads, they expect it and it will not last forever. Mission accomplished, they sure did that and now we're in the largest asset bubble of all time financed by easy money for a decade. The popping of this monster will take some time and hurt those not really knowing how the financial world works.

The Fed's across the globe printing money endlessly has put investors into the mode of just buying anything because prices go up. Fundamentals haven't mattered for years. The government backstop of companies, countries, currencies is unprecedented and dangerous. The idea that things cannot fail is pure foolishness. If a business is bad it should fail, if a government is bad it too should fail. We've witnessed in these past few years constant bailouts to the lower European block despite a continued fiscal disaster with no way out except a bankruptcy. Scary indeed, a few large countries are going to go under, as will many businesses once this "crack" or liquidity as the government likes to call it wears off.

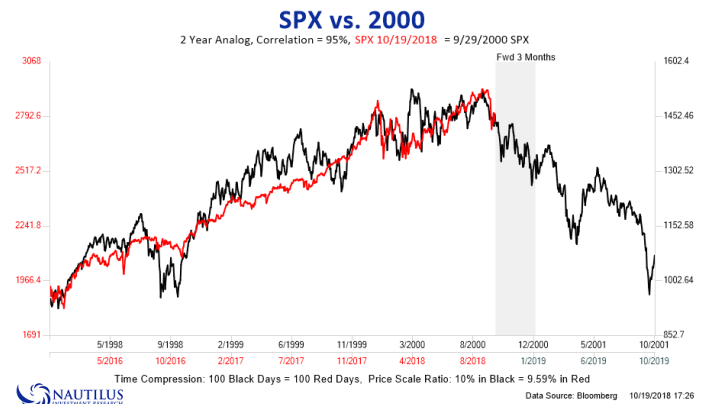
Now they're pulling back on the spigot of easing and actually tightening a little tiny bit. Rates are not normalized, assets are still floating around the system and financial markets are beginning to panic. Folks this is just the beginning, we're a long way from financially normal. The legalizing of financial Crack by the Feds really didn't do anyone any favors, it simply delayed the inevitable. ☺

1999 Repeat?

This market feels to me very much like 1999 in many ways. The most similar feeling is the speculative nature or the animal spirits that are unleashed during such a mania. I'm not wired like most humans, I'm very much a contrarian and I'm not comfortable at all during such periods of manic behavior.

During the dot com mania the world was insane only over tech stocks while the rest of the planet was operating very normally. This time around we're got the opposite situation, the world is crazy over almost everything and very few areas are operating normally. We're seeing this bubble in domestic stocks, bonds, real estate, crypto currencies, etc. As value investors, this behavior by the herd is troubling and ends badly as all speculative bubbles do.

Our friends at Nautilus have just put out a great chart comparing the SPX during the dot com mania to where it is today. I'd say the similarities are quite impressive.



None of us have crystal balls and when we make these comparisons it is simply to illustrate what may happen. Patterns such as these are never identical, but sometimes do repeat themselves in time. We are suspecting a large fall from these loft levels and as we've been saying now for very long time, valuations matter. For the past few years people have been paying premiums to intrinsic value that are massive and we've only seen before in 1999.

This drama is now coming to a close and the popular names of the dot com era are either gone or a small sliver of their former shiny selves. Will this happen again moving forward and although it's hard to see right now, some of the most darling names of this era will either go away or become small slivers of themselves in the next few years.

Some people say that's so hard to imagine, but think about this. In 1999 we were talking people out of investing in the then most popular names of the day, including pets.com, boo.com, Broadcom, Intel, Cisco Systems, etc. Moving forward it's hard to imagine some of today's most popular names either not being around, or being a small sliver of their former selves. It'll happen, we'll look back all about it after the fact. As investors, we need to look forward into the unknowns. Math is the key here, earning and valuations matter! ☺

Inspirational Quotes

- In the process of letting go you will lose many things from the past, but you will find yourself, Deepak Chopra
- Don't be afraid to go out on a limb, that's where the fruit is, H. Jackson Browne
- If people are trying to break you down, it only means that you are above them, author unknown
- If you judge a fish by its ability to climb a tree, it will live it's whole life believing it is stupid
- The problem is not the problem. The problem is your attitude about the problem.
- Define your unique talent or gift, develop it to the fullest, and give it away every day, Don Meyer



We can piece the puzzle together and make your money work for you!

Kids Corner

Personal integrity is something hopefully all of our kids and grandkids have as a core characteristic. If they cannot be a good human being there isn't much hope and society needs as many good humans as we can get. We seem to be inundated with a news cycle that focuses on nothing but bad news. The old news saying of bad news sells is obviously very true, but there is far more good that happens every day than bad.

We're obligated to help the kids and teach them how to behave. We ideally will show a behavior that reflects the worlds we use and give a consistent message to the youth. Many times we say the right things and sometime do the wrong things and kids are super perceptive, they see it all. They will read our nonverbal actions and weigh them heavier than our verbal actions, and then throw it in our faces when we call them on the carpet for poor behavior.

The societal level of everything is okay and feelings are more important that facts or science has gotten out of hand. We need to be a constant message in the ear of the youth to be sure they're not sucked into the current societal thinking of low or no standards is okay. All of us in the working world know it clearly isn't and we do our best every day to help one another.

The character we carry with us as adults will likely be mimicked by our offspring and the kids around us. We're all in this together, the parents, grandparents, teachers, coaches, friends. All of us can have positive and sometimes life changing impact on the youth of the world. We need to fight the insanity of society and just stay the course on being good honest people with high integrity who always do the right things. The messages sent are heard, we just need to keep sending them. Any stories around how you do this please share with us and we'll try to help spread the good news and pay it forward! 😊

If anyone you love or care about would benefit from receiving our newsletter, tell us who they are and they will be included on our mailing list. They'll certainly appreciate you thinking about them and having their best interests at heart!

Name _____ Email _____

Address _____

City _____ State _____ Zip Code _____

Name _____ Email _____

Address _____

City _____ State _____ Zip Code _____

Registered Representative, securities offered through Cambridge Investment Research, Inc. a Broker/Dealer, member FINRA/SIPC. Investment Advisor Representative, Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Chadwick Financial Advisors and Place Financial Advisors and Cambridge are not affiliated. Opinions expressed may not necessarily be those of Cambridge Investment Research, Inc.

Disclosure: Indices mentioned are unmanaged and cannot be invested into directly. Past performance is not a guarantee of future results. This information is for educational purposes and should not be construed as individualized investment advice.



Financial Advisors

Visit us online at www.fiscalwisdom.com

Call Toll Free (800) 843-4513
info@fiscalwisdom.com



Financial Advisors

Please think of us whenever you or someone you care for needs the following:

- ❖ Stock option analysis, diversification
- ❖ Pensions – qualified and non-qualified
- ❖ Family Protection Strategies
- ❖ Retirement Income Plans
- ❖ Investments & Investment Advice
- ❖ Business Protection & Succession
- ❖ Retirement Plans
- ❖ College Funding
- ❖ College Financial Aid Strategies
- ❖ Tax Savings Strategies
- ❖ Required Minimum Distributions
- ❖ Debt & Cash Flow Management
- ❖ Employment contract negotiations
- ❖ Settlement option analysis
- ❖ Financial Advice – hourly or annual retainer
- ❖ Fee based investment management
- ❖ In depth portfolio & risk analysis
- ❖ Estate & Income Tax Planning
- ❖ Distribution of Assets – IRA, 4019k0, etc.
- ❖ Retirement Income – Guaranteed or variable
- ❖ Income Replacement Techniques
- ❖ Widow/Widower Assistance
- ❖ Nursing Home Asset Protection Strategies
- ❖ Long-term Care Issues & Strategies
- ❖ Key employee retention strategies
- ❖ 401(k) & Retirement Plan Rollovers
- ❖ Philanthropic gifting & charitable planning
- ❖ Trust, inheritance and foundation planning

Mike Chadwick's Money Matters

15 New Britain Avenue, Unionville, CT 06085
860.673.1942

Chadwick Financial Advisors

