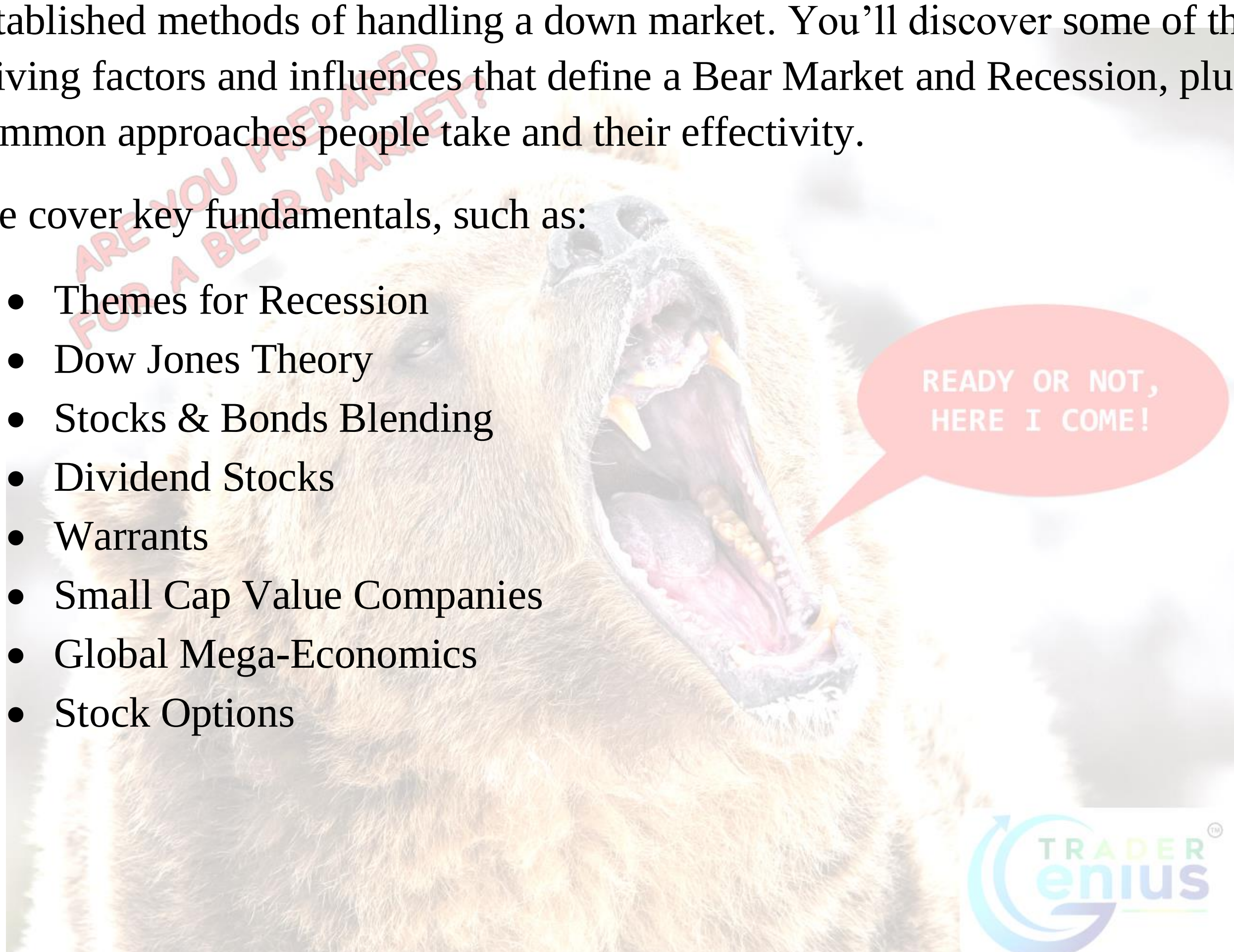
The Bear Market Report

This Free report gives you a quick and easy to understand overview of established methods of handling a down market. You'll discover some of the driving factors and influences that define a Bear Market and Recession, plus common approaches people take and their effectivity.

We cover key fundamentals, such as:

- Themes for Recession
- Dow Jones Theory
- Stocks & Bonds Blending
- Dividend Stocks
- Warrants
- Small Cap Value Companies
- Global Mega-Economics
- Stock Options



The Bear Problem

There are still opportunities in Bear/Sideways markets, but they need to be assessed with risk adversity in mind. Looking at the Dow, the market was sideways from 1966 to 1982. It hit a cycle top of $1,000 a few times during that period, and there were growth companies and dividend makers, but the essence of the Dow index is big stable companies. They don't break out unless there is something else going on in the economy.

In more recent times, the market was sideways from 2004 to 2006. The post-crash 2009 market was the beginning of a steady climb to all-time highs. BUT there is another crash coming. It always does.

<u>Themes For Recession</u>

The sharpest investors will look at indirect aggregates: dollar stores, home/car repair, and companies that make soda or anything upstream (like the bottles for soda). These all do better during recessions. People conserve their money. They fix things instead of buy them, and they still drink sodas. Anything that is like consumer staples should be stable. Less dining-out and other real-life behavior will perform better than new-car sales.

This is where the dividend stock plan idea can falter. If the company sells things that are popular in boom times, they might not have the cash to offer dividends in a recession.

<u>A recession is declared when the economy shrinks for 2 consecutive quarters</u>**.** Most people feel the economic conditions before an economist makes their opinion. In fact, it's the consumer that is driving that change in the economy with their spending choices as a result of the overall money supply (interest rates) and personal debt levels. This is the difference between M1 and M3 money supply levels*.

Here are the most popular ideas of what to do in a Bear or sideways market:

Dow Jones Theory

When Dow Industrials and Transports are both falling, the bear is here. You can use a 200 day Moving Average (MA) as well. Sell when the price is below the 200-day MA line and buy when above.

Both are 100-year-old ideas that help with getting out better than holding on. They are a bit slow and loose and basically work to improve results by about 2% per year.

Stocks & Bonds Blending – Age old advice

Having a blend of bonds with stocks is a better overall return than stocks only. The blend smooths out the total annual returns and some of the volatility. The common behavior for serious investment houses is to move the money to safer havens. This isn't trying to capture big gains but more focused on being conservative.

The quality of the bonds is important. The volatility of the stocks matters too. Some stocks are more stable in price, and even increase during bear markets.

Treasury bonds are low rate of return and are safer. They have low volatility. The bond has value that fluctuates when interest rates change, and it is years away from maturity. However, the bonds intrinsic and contract value is stable. The intermediate value shifts because there is always a desire for higher interest rates and that can trigger demand when the going rate drops. When the fed-rate rises, the old rate of the bond is less interesting. This is the part that makes bonds confusing.

The easier way (for people with portfolios under $250,000) is to buy shares in a bond ETF. The fees and type of bonds matter so be sure to do your research if you are not a member of our community (If you are a member then you know the research is in one convenient place for you). But you can start by looking at Vanguard (Symbol: BND) it is one of the largest, and they have a good track record of buying stable quality bonds that have a decent return. They do all the work for you.

Traditional advice from financial planners says put some in stocks, and split the rest between bonds, real estate, physical gold/silver etc. Not 100% in stocks. We need to consider such advice as it's about prudence, and the context is a falling or down market. However, it is important to note that as people age, they should consider the asset ratio in stocks going down, or alternatively put in lower volatility (and dividend paying) stocks of old-line companies with a proven record regardless of market conditions. The "Profit In Pajamas" book says you can retire earlier by being good at handling your investments. That's true. And there are many well-known lifestyle advisors, such as Tim Ferris and others who talk about retiring early by getting streams of income, of which actively managing your own stock portfolio can be one. But both ideas can be met with resistance because of people's mindsets and cultural background. So, decide which you are most comfortable with and develop a plan accordingly. Regardless of which one you choose, conservative or aggressive, having a plan to suite your mindset, IS important. Get it clear in your own head that "Hope" is not a plan.

Dividend Stocks

Money tends to flow to safer places in troubled times. Companies that pay dividends will have a more stable price purely because other investors are creating a buying demand and will hold these stocks. This is where the buy-and-hold crowd will gather, and they won't dump the stock in a panic as they figure all will be fine one day soon.

Warrants

This is very esoteric, and therefore out of the reach of most investors. It can work very well but needs lots of research (from a reliable service) and is beyond the scope of this report. Plus, there are easier, and less complex ways to succeed in a down market, as covered in the **Bear Market Course** (see link below).

Small Cap Value Companies

The honest small companies can grow in a sideways or bear market because they are innovative, or the stock's price is undervalued (and it's a good business). For a bear market usually, the stocks have been overpriced versus P/E (Price-to-Earnings), P/S (Price-to- Sales) or P/B (Price-to-Book) values. Other measures like cash flow are a more useful tool to understand the underlying health of a company. The I-Rating found in our Investor Genius range of tools, uses the real value of company's ability to generate net income and can be used as part of research for your plan. Speculative companies (without an income) often fall the hardest in a bear market. People flee to safety and abandon the hopes of glory….at least the smarter ones do.

In general, the measure for a good small cap would be net income (like EBIT) and to see if that is rising or falling quarter to quarter. Is the company a good idea or even part of a mega trend? During 2018 blockchain was the hot topic but be aware that the mega trend (hot topic) will change from year to year and can be a great ride. Just be sure to pick wisely.

We also need to add in share dilution awareness. This is a sneaky way executives hide expenses from EBIT. If dilution is less than 1% per year, it's normal. If there is dilution (or buy-back), it should be reflected in our valuation per share. Thus P/B (share price to book value) ratio and P/S (share price to sales) are good measures for undervalued company. A lower-than-long-term-averages ratio means it should be short-listed for review. To find a good place to start, check out our Daily Dozen e-report (link below). However, a free 12 month subscription to this report is included as one of the Bonuses when you buy the **Bear Market Course** at the link below.

Global "mega" politics

The most sophisticated investor will also look beyond the USA for investments when a Bear is in control. This won't mean blindly buying the foreign emerging markets since there could be a global Bear in motion. They would likely use a currency hedge along with stocks and bonds in other countries. This is a very sophisticated strategy that is far beyond 98% of the investors' skill sets. The strategy would need to be back tested using datasets and hiring the necessary programming skills (database administrators, programmers, and a quant). Overall, this is beyond the reach of most people's time, skills, or budgets. In fact, to build a system like that takes many years and the cost to develop doesn't make sense for investors with fewer than $50 million dollars. Of course, nobody likes to hear this and a few will ignore this wisdom and brave the storm in hopes of success. It all looks easy on the surface. We recommend reading Ray Dalio's book "Principles" if you aren't convinced and want a second opinion. But, as mentioned at the end of the last section, there are far easier/less complex tools and strategies available that can produce excellent results in a Bear market, when your plan is executed well.

Stock Options

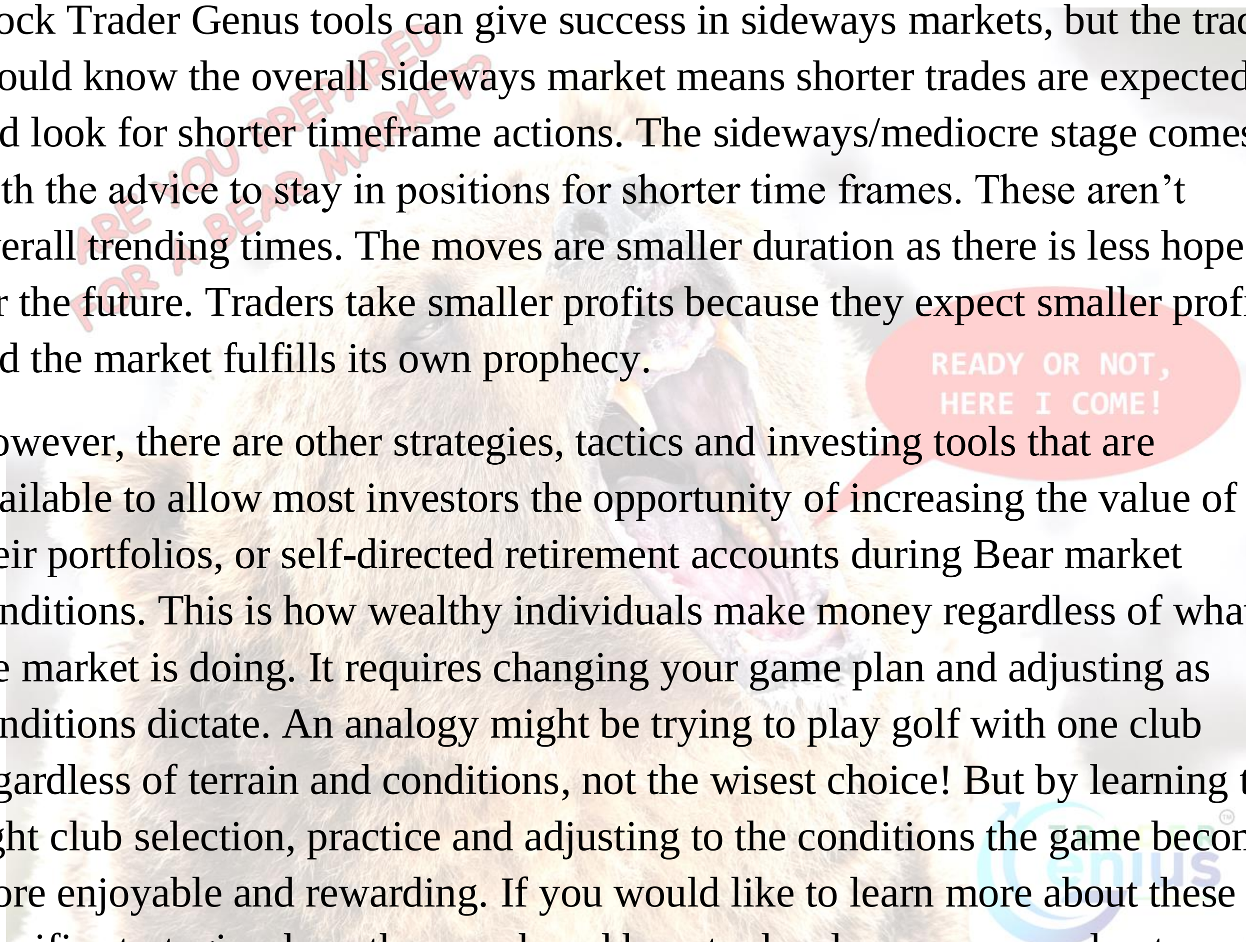
Stock Options are an arena that some people love. *During a Bear market fortunes are made by some while others are hiding in the buy-and-hold closet*. There are some simplified ways to get the benefit of Options without being an expert or even knowing one thing about them. It takes the least effort to learn this strategy and can yield the otherwise elusive profits in a Bear market. It is one of the tools we discuss in the Bear Course training and is the foundational platform of the Trader Genius system. For those that are interested in finding out more about Stock Options trading, we offer no obligation 30 Day FREE Trials (And 1 hour of Free Coaching). The links are at the bottom of this report.

Recessions always end

There is a saying by some stock market advocates: “Bull rallies always start at the end of the bear” but the problem is spotting the end of the bear. Using simple tools like the MA 200 is too slow an entry, whereas tools such as our Stock Trader Genius & Investor Genius, that utilize far more data are better at illustrating when conditions appear more positive, and that market conditions are changing. They might get a false start occasionally, and take a small loss, but when it’s right it’s worth the possibility of a small initial loss. We also have the simplified overall market indicator (the bull/bear icons) that work very well as a quick check.

But it important to not forget that in a Bear market MOST stocks will fail to give growth in price, so the odds are against success especially if you continue to trade as if it is a Bull market. Individual stocks can still perform but only if the company is doing something innovative as discussed earlier and is well run.

Stock Trader Genus tools can give success in sideways markets, but the trader should know the overall sideways market means shorter trades are expected and look for shorter timeframe actions. The sideways/mediocre stage comes with the advice to stay in positions for shorter time frames. These aren't overall trending times. The moves are smaller duration as there is less hope for the future. Traders take smaller profits because they expect smaller profits and the market fulfills its own prophecy.



However, there are other strategies, tactics and investing tools that are available to allow most investors the opportunity of increasing the value of their portfolios, or self-directed retirement accounts during Bear market conditions. This is how wealthy individuals make money regardless of what the market is doing. It requires changing your game plan and adjusting as conditions dictate. An analogy might be trying to play golf with one club regardless of terrain and conditions, not the wisest choice! But by learning the right club selection, practice and adjusting to the conditions the game becomes more enjoyable and rewarding. If you would like to learn more about these specific strategies, how they work and how to develop your own plan to thrive, check out our [Bear Market Course] at the link below.

Final Thoughts

There are so many variables that affect the value of stocks that it can't be guaranteed even by the upcoming quantum computers. For example, a person at some investment house can decide to buy a block of shares and you won't know about that until later when the price moves up. The focus for any skill is to look at what you can know and do. You can see the price history, but you won't "know" when others will act.

Predicting the market often leads to the wrong timing. Ray Dalio mentioned in his book that he would often act too early or be completely wrong about the upcoming directions. This is also true of the world's greatest trader, Jesse Livermore. Predicting is living on the edge of a knife; never sure and always watching with a tense trigger finger and doesn't fit with an "efficiently-enjoy-life" model. To try and capture the absolute most out of the markets is a focus on greed rather than enjoyment, and there is an emotional price to pay for that: **stress.**

If you know you won't be poor and don't need to be "the" richest person in the world, then you are prepared for an enjoyable view of life. In this scenario investing and trading are there to support that desire, and more.

An effective trader/investor will wait until the market prices curl over to tell them the top or bottom has been reached. With the best tested tools that confirm a bull or bear signal, you can relax and not bother with faulty, stressful prediction ideas.

There is no perfection in trading and there can never be perfect timing as long as every investor is fully independent in their beliefs and actions. This is at the heart of a free market. You are free to act and so are they. With freedom, there is a free-flowing price action in the markets. There will be small, acceptable losses but that's part of the game.

The Bear market can be a real threat to how we feel about our future (and present), and a sensible, conservative strategy is to get out quickly when the conditions merit that. However, using data-driven rules for decisions based on the market conditions gives you freedom in that regard. Adjust & Adapt. Use a Bear strategy in a Bear market and the opposite in a Bull.

There's a personal habit you can ask yourself: Will I follow that strategy when the time comes? If your answer is "yes", then investing and trading will support your desires in living a happy life. If the answer is "no" then best to stay out of the markets until you are ready to commit to change, develop trading discipline and a plan.

Notes/Credits:

* M1 is the money supply that is composed of physical currency and coin, demand deposits, travelers' checks, other checkable deposits, and negotiable order of withdrawal (NOW) accounts. M1 includes the most liquid portions of the money supply because it contains currency and assets that either are or can be quickly converted to, cash. However, "near money" and "near, near money," which fall under M2 and M3, cannot be converted to currency as quickly. – Investopedia

Links:

Stock Options Free Trial: www.tradergenius.com/gettingstarted

The Bear Market Course: www.tradergenius.com/thebearcourse

The Daily Dozen: www.tradergenius.com/daily-dozen