Free Report…Size matters

SIZE MATTERS When You're Running for the Exit

How NOT to Get Caught in Another 1987 Style Crash

In October 1987, I was an ambitious young stock broker at a prestigious Wall Street Brokerage firm. Some considered me a rising star.

Business was booming. My clients were making tons of money and our confidence in the markets was over the top.

That was our first mistake.

You see, we (my clients and colleagues) were blind-sided by the crash on Black Monday.

We failed to see what was going on *"behind the curtain."* And, like millions of other investors, we paid a severe price for it.

I never imagined personally losing so much money in one day. Nor was I prepared for the magnitude of losses my clients suffered.

October seemed like any other month until late in the afternoon on Friday the 16th. It was the first time in history that the market dropped over 103 points in one day. The volume was a record high of **338,500,000 shares.**

(When you put that in perspective, a 100-point drop today is a non-event. And a handful of companies can, by themselves, trade over 338,000,000 shares in one day. Let that sink in for a moment.)

After the market closed on Friday, the cocktail parties buzzed over the news of the worst one day drop in history.

Most of us in the business put on our best bravado with reassuring phrases like, *"It's nothing to worry about. It will correct itself next week."*

However, everyone I knew had the same sinking feeling that something was terribly wrong. But we didn't want to admit it.

Then came Monday morning…

If you were an investor back then, it was your worst nightmare. However, there were some very valuable lessons learned that day that you can use to profit from in today's markets.

(I realize some of you were very young or possibly not even born 38 years ago…That's why I'm going to show you how millions of innocent investors lost money **because they couldn't sell their holdings.**)

More importantly, when the next crash/market disruption happens, you'll want to be on the safely on the sidelines watching instead of losing…and I'll show you how to get there ahead of the crowd.

Before we go any further you need to understand three things:

1. This article is NOT about market timing. (We're not market timers)

2. Most market timers are wrong. (So, quit trying to time the market)

3. If you're willing to learn from history and understand that ALL markets are connected then, and only then, will you be able to consistently stay "ahead of the crowd."

History, the Great Teacher.

Many books and articles have been written about the crash of '87.

However, investors tend to forget what causes volatile market movements (especially if it's more than a generation ago). As a result, they're caught off guard when it happens again. (Notice I'm not saying "IF" it happens again)

For that reason, it's important for you to look back and see what actually caused the problems instead of listening to all the noise Wall Street used to blame everyone else.

The popular story, fed to us by the financial Presstitutes, said, "Computer failure" was the major cause of the crash.

But that was just a cover-up. It's true that most of the computers back then enhanced the crash but they weren't the root cause.

The condensed version of this mess had to do with a handful of men called the G5 (Now called the G20). Their goal, in 1985, was to devalue the dollar against the Japanese Yen (By 40%).

What idiots!

Because by doing that they thought they could manipulate the markets and help reduce our trade deficit and, in theory, create jobs.

This was government intervention at its worst.

They failed to realize that lowering the dollar would cause the Japanese to lose 40% of all their holdings. (At the time, Japan owned about one-third of our debt along with premium American real estate…Rockefeller Center, etc.)

The loss from devaluations forced them to sell anything and everything they could (out of fear of the dollar losing another 40%).

The Japanese took their money and ran back home where their dollar was stronger.

In a nutshell, the G5 plan backfired.

The Powers That Be (TPTB) screwed up big time back then.

As usual, no one wanted to be accountable.

That's how the blame fell on an inanimate object the computer.

But that's another story for another time.

The point I want to make is that there's ALWAYS more behind major global events than you see or hear from the presstitutes in the media.

So, now that you have seen a small slice of history behind the crash, we're going to show you why many investors couldn't get their money out of the market.

Then, we'll show you how you (the individual investor) have a unique advantage when it comes to surviving another major crash.

How Fear Freezes Giants

Wall Street has always boasted that it functions as a source of liquidity for investors. (*Cough!* Except when an unexpected market crash occurs).

But, don't be fooled by these so called "Titans of the Industry." They try to intimidate you into believing their mastery over how the markets work.

The truth is most small investors have
a huge advantage over them. But they'll do everything they can to convince you otherwise.

Want to guess why many investors couldn't get their money out of the market in 1987? (even though they desperately tried)

The answer they gave was, ***"The system shut down."***

But that's only part of the story.

Investors were trapped in most mutual funds because they wouldn't couldn't sell their stocks.

How’s that possible?

Don’t big mutual funds have to provide liquidity?

Yes, they do. However, the size of a mutual fund (sometimes considered an asset) can also be its worst enemy.

Case in point: Let’s say a fund has over $13 Billion in assets (in 1987 that would’ve been a large fund…today it’s a <u>small</u> one) and one of their stocks equals 1.5% of the value of the fund.

Do the math… 13B x 1.5% = $195,000,000. If the stock is trading at $35 per share that would mean the fund has over 5,571,000 shares.

If, in a panic, the fund manager wanted to sell that stock quickly he would be stuck or FROZEN. Unloading that many shares into any market would make the stock crash even further. (No buyers available or NO BID)

In Plain English, the funds couldn’t sell a small position without making things worse.

And here’s the shocking news for today’s mutual fund investors. The mutual fund market in America back in 1987 was **$800 Billion**.

Today, it’s **over $32 Trillion.**

Do the Math…the mutual fund market in America is over 40 times larger than it was in 1987…and that **does NOT**

include ETFs because they didn't even exist back then.

Of course, Wall Street will assure you they have "provisions in place for liquidity in the event of a severe disruption."

We say Bull Shit.

Now, the good news.

It's a lot easier for a small investor to sell 100, 500, or 1,000 shares than it is for a fund trying to dump 5, 10, or even 15 Million shares. (Think about someone yelling "FIRE" in a crowded theater with one exit.)

<u>When</u> and <u>How</u> to Get Out

There's an old saying on Wall Street, "The market moves in the direction that frustrates the most people."

Keep that in mind when you think you can time the markets.

Because since 2008 most investors have missed one of the biggest bull market runs in history simply because they've been too scared to get back in.

That's your first clue.

When everyone is in, or “wants to get back in,” that’s when you need to run for the exits.

Today, the financial presstitutes are screaming about: “bubbles ready to pop” and “the last time THIS HAPPENED was right before the crash…. blah, blah, blah.”

That’s your second clue.

The presstitutes want to scare most people out or keep them out.

When Wall Street’s bought-and-paid-for-media Presstitutes starts hollering *“Back up the Truck,”* (*Cough*! Jim Cramer, *Cough! Cough*!) that’s also when you run for the exits.

As a small investor, you want to be ahead of the crowd by paying attention to trends like how much retail investors are in the market as opposed to institutions. (Currently, institutions make up over 86% of market activity.)

As retail participation grows, (mom and pop getting in) institutions sell to the unsuspecting investor…see the pattern?

When you see these trends happening, don’t be afraid to move your mutual fund money into a cash position. Most funds offer an exchange privilege into one of their cash equivalent funds simply by making a phone call.

As far as selling individual stocks are concerned, allow me to make some final points:

- You must have the mind–set that you're better off being six months early rather than one day late.
- You're never going to pick the top. But it helps to see the markets from a Global Perspective. (Remember 1987)
- Learn how to "Connect the Dots." (Every month we'll point out the obvious and the not-so obvious clues.)
- Sell your stocks in stages. Ex: If you're nervous, sell half of your holdings and wait. This accomplishes two things. (1) If the stock continues to rise you'll still be able to sell more at a higher price and (2) If the stock goes down you'll be happy you sold some.

An Ongoing Process

Many people think the best way to learn is through experience. We believe it's better to learn is **through someone else's experience.**

It'll save you a lot of money and pain.

Learning the subtle signals of the markets is an ongoing process.

We created this newsletter to help you, the individual investor, through the process.

And we're really glad you are here with us.

"Flattery makes friends and truth makes enemies"

~ Russian proverb ~

"And you shall know the truth, and the truth shall make you free."

~John 8:32~