Wednesday, December 27. 2006

Boom or Crash for 2007?

With the Dow Jones Industrial Average making new highs, Wall St. experts and pundits all agree that 2007 will be an up year for major indices. By the way, they always agree that next year will be an up year. If things look particularly and undeniably bleak, then they'll predict a "second half recovery" but an up year all the same.

Nobody can say for sure what the future will bring. In general terms you can come out ahead simply betting against economists and weathermen. It may not work all the time, but I suspect it's statistically better than playing the lotto.

Modern day economists fulfill more of a cheerleading role than anything else. What economists basically do today is explain to the general public in easy-to-understand terms why anything bad that has just happened or is about to happen, is actually a good thing when you look at it from a different context, and why people should just go on about their business and not ask too many deeply probing questions about the current state of the economy or the financial system.

Examples include reporting core inflation figures ex-food and ex-fuel, not reporting M3 money supply at all, or explaining why adjustable rate mortages are a good thing when interest rates have nowhere to go but up and property values nowhere to go but down.

So one must decode this fog of obfuscation that surrounds all things economic and financial if one hopes to make a reasoned guess about the future.

Over the holidays I picked up two books with diametrically opposed hypotheses: The Coming Economic Collapse: How You Can Thrive When Oil Costs $200 a Barrel and The Next Great Bubble Boom: How to Profit from the Greatest Boom in History 2006-2010 I am reading these in parallel. A couple chapters of one, a couple chapters of the other. I was hoping to arrive at the end of the pair with some sort of weighted estimate around which scenario was more likely.

I'm still barely into either book and have some concerns around each of them. Stephen Leeb's "Coming Collapse" book describes the Tech Wreck of 2000 as a potentially civilization-ending meltdown which was only staved off by the massive credit expansion and subsequent real estate bubble. I have an issue with this because I subscribe to the old Austrian School theories which call for a recession to unwind the excesses of the previous bubble. We never got one after 2000 (that soft-landing pseudo recession wasn't it) and that massive flood of credit only put it off and will make the necessary recession all the more intense (and painful). In short, the Powers That Be took the easy way out, not the correct way out of the Tech Wreck. Not surprising as the correct way out would have been a painful reality check that doesn't get politicians re-elected.

Harry S Dent's "Bubble Boom" book posits that we are in a string of amplifying "bubbles" rotating between various asset classes. Tech, then real estate, then... Each one bigger than the last. He has a point here. In a way, he's describing the same thing as Leeb when the boom/bust cycles that result from unsound monetary system underpinnings are not "managed" properly when the bubbles pop. But fairly early on he brings Elliot Wave Theory into his reasoning and when somebody talks EW to me, my eyes glaze over and I figure they may as well be reading tea leaves, a tarot deck or chicken entrails. "It's nonsense dolled up to look like thinking." an occultist (of all people) once quipped. I won't get started on Elliot Wave theory, save to reference an article I wrote a few years ago noticing that the Elliot Wave theorists at Elliot Wave International had an unblemished record of being absolutely wrong about predicting the price of gold and had been for years.

All told, the most sensible book I've read over the holidays about predicting the future was The Zurich Axioms which basically tells us that the future is essentially unpredictable, don't fall in love with magical thinking like technical analysis or financial gurus like the talking heads on TV.

Instead it describes a common sense way of organizing your speculations in order to maximize your upside potential and minimize your downside risk. Note that this is not saying "only bet what you can lose" (in fact, quite the opposite) But through the 10 major and 18 minor axioms the reader has described what Sovereign Strategist author Mark Rostenko (sidenote: does anybody know what the hell happened to that guy?) describes as "low risk trades". Situations where if you lose, you will lose small but if you win you win big.

Personally, I am calling for a down year in the major indices and a recession in 2007 and I hope I am wrong. But my guess is this time next year, we're going to be hearing a lot talk about a "second half recovery" for 2008.

Posted by Mark Jeftovic in Armchair Analysis at 22:30

Wednesday, December 6. 2006

Four essential components of Search Engine Optimization

I've been helping a longtime customer debug getting his website setup with a google sitemap and stealth redirection and he asked me in more general terms if I had any advice for him around search engine optimization.
Here are four essential "must have's" for SEO. Three you can do right now, the fourth is not under your control as much. Before embarking on a concentrated SEO campaign, be sure the first three are in place.
Continue reading "Four essential components of Search Engine Optimization"

Posted by easyDNS: Tips and Tricks in via easyDNS blog at 13:02

Tuesday, December 5. 2006

Have a Parkdale Hookers Christmas Time

Just in time for the holidays, feast your ears on "Have A Parkdale Hookers Christmas", a festive seasonal ditty penned and performed by the my band, The Parkdale Hookers, and just uploaded to the website for your downloading pleasure.

http://www.parkdalehookers.ca

Enjoy, and feel free to pass this on to any of your friends who may enjoy the seasonal cheer.

I hope all is well with you and yours, Happy Holidays.

Posted by Mark Jeftovic in It's only Rock n Roll at 23:09