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To quote the late great Yogi Berra, 2014 "is starting to feel like déjà vu all over again." The parallels between 2007 and 2014 are striking: 1. Both years are the fifth year of a bull market run. 2. The Dow and the S&P 500 set multiple record highs in both years. 3. Both years have seen record inflows of money into the stock markets chasing double digit returns.

We just finished month 268 (June) of the current Bull market, which makes this the second longest bull market in the past 80 years. We are still a long ways short of the record 406 month bull which occurred during the 1990's*. The Dow and S&P 500 both set new all all-time highs last week (the week ending July 4th). Last week was the 1000th consecutive day that the S&P had not experienced a correction (a 10% drop). This is the fifth longest such streak since 1928 (the longest most recent streak was 1,127 days between July 1984 and August of 1987)**. Nonetheless, one can sense that we have reached a moment of uncertainty today regarding the stock market: We see signs that the economy is improving, albeit at an alarmingly slow pace. But more and more, we are seeing signs and hearing lots of chatter that the stock market is headed for a major pullback.

We all remember how the Bull market ended in 2007: It was followed by an 18 month Bear market (October of 2007 thru early March of 2009) in which investors lost 50%, or more, of their account values. We don't know when the current bull market will come to an end, but it will come to an end, and when it comes to an end, those who haven't protected themselves will be punished just like they were in 2008. So, how do I manage your portfolio to allow for the possibility that the Bull market has ended and we are about to enter another Bear market?

The first strategy is to make sure that your portfolio has proper asset allocation. This means that in addition to stocks, you also own assets which are non-correlated to the stock market, such as Fixed Income, Cash, and Alternatives. Our expectation is that the non-correlated assets will hedge (think of a "teeter totter" analogy), against your stock positions. You own one or more of these hedging strategies in your portfolio: Transamerica Short Duration (ITAAX), Gold (IAU), Silver (SLV), Hundredfold Select (SFHYX), Nuveen Real Estate Securities (FREAX), Advisors Disciplined Business Development Corp. The second strategy is to maintain a position sizing of no more than 4% of your portfolio invested in any one position. The third strategy is our exit strategy from the stock market. We maintain a 25% trailing stop for long term trading positions (holdings such as Berkshire Hathaway or the Investment Company of America) and a 10% or 15% trailing stop for short-term trading positions (holdings such as Diebold, Celgene, Royal Gold). Just as was the case in the last Bear market, we believe that a combination of these three strategies will protect your principal in the event of market correction.

But what if the stock market is only in the eighth inning of the current Bull market? We stay invested in the market and allow our three strategies detailed above to protect your downside.

Please call me if you have any questions. I look forward to our next meeting.

John Buetow

* Retirement Trader. June 27, 2014

** Growth Stock Wire. July 5, 2014