

Hello Everyone,

We'll stay on the subject of authority today.

To whom shall we listen? Whom shall we ignore? Why is Greg talking like Shakespeare?

These questions (sort of) are addressed in today's missive.

I hope you find it helpful.

Signed, Your Should-Have-Studied-Shakespeare-Harder-In-College Financial Advisor,

Greg

KKOB 07.16.2018 What Authority Should You Listen To?

Bob: So, Greg, on Friday you said our listeners should have a healthy skepticism regarding financial advice coming from authority figures like Treasury officials & Fed Chairmen. But, here's my problem. Most of us don't have time to research the markets, but we still need advice from authorities we can trust. So, where do we go?

Greg: That's totally fair. I believe things get easier when you understand any authority's motivation. For example, it's the Fed's and Treasury's job to promote the US and the dollar. Silly statements from them make markets tumble. That's why former Fed Chair Ben Bernanke told everyone housing was fine in 2008. His motivation was to keep everyone calm---even though AIG & Bear Sterns had gone belly-up earlier that year. I get that. He thought he was serving a greater good.

Meanwhile, you have other "authorities" whose sole motivation is to make money. They're thinking of themselves, their portfolios, their reputations. They don't care much about the greater good. That doesn't make them bad people. Their motivation is just different. Think hedge fund managers and mega-investors like Warren Buffett.

Bob: So, you're saying it might make more sense to listen to people who have their own money on the line...even if their motives might seem selfish.

Greg: Sure. Now, these guys don't give you advice directly. Why would

Greg: Sure. Now, these guys don't give you advice directly. Why would they? However, they also don't hide what they are doing.

For example, earlier this year, Warren Buffett sold his controlling stake in the largest drywall manufacturer in the US. And, of course, dry wall is used in great quantities for housing construction. He bought those dry wall shares at super low prices in '08 & '09 when housing cratered.

Now, Mr. Buffett often quips the average holding period for a stock should be **forever!** Yet, he sold his drywall stake after only nine years. Why? I don't know. He didn't tell me. But, maybe his move is indirectly giving you advice about his long-term view on housing & construction.

Bob: OK, I get that. So, what is he "advising" about stocks?

Greg: Thanks for the set up! Near the ***bottom of the market in 2009***, Mr. Buffett sold what we call put-options on the S & P 500. Translation: if the market went up, he made money. And, just like his drywall bet, Mr. Buffett hit it right. Stocks soared. Well, guess what? Mr. Buffett has been unwinding that put-position as well. In short, he is no longer betting the stock market will be going up...or, at least not up enough to make it worth his while.

Anyway, Is this line of reasoning tracking?

Bob: Sure. But, how do you know this stuff? I mean, could a regular guy like me just go online and find out what guys like Mr. Buffett are doing?

Greg: Well, yes. Quarterly, mega investors like Buffett must file something called a 13F. It notes all his holdings. You can then compare what he had then vs. what he has now. Also, the SEC has what's called a Form 4. It tracks insider buying and selling. It is legal for insiders to buy and sell stocks; they're just obligated to report it...so, all the world can see.

In this manner, you can also see what some of the biggest hedge fund managers in the world are doing. Again, they likely know more than we do. They won't agree on a lot of things, but you'll pick up common threads.

And, Bob, by now you know my mantra---wealth isn't usually destroyed, wealth moves. And, you can make a lot of money on that movement. Bottom line...my interpretation is big money is moving--- and indirectly advising you to prep for inflation.

Bob: To support your point, last week I saw the Producer Price Index flashed higher----which means we might be on the front edge of rising prices. We'll see...and, we're out of time. Thanks for the insights. How do people reach you?

Greg: My number is 508-5550. 508-triple 5 zero.

Bob: For those of you who want transcripts of Greg and I talk about each week, just email him at gregradiotranscripts@gmail.com.

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