

# WHAT SHOULD WE DO?

George Dagnino, PhD

*The Peter Dag Portfolio  
Strategy and Management*

*[www.peterdag.com](http://www.peterdag.com)  
[peterdag.blogspot.com](http://peterdag.blogspot.com)*

# OUTLINE

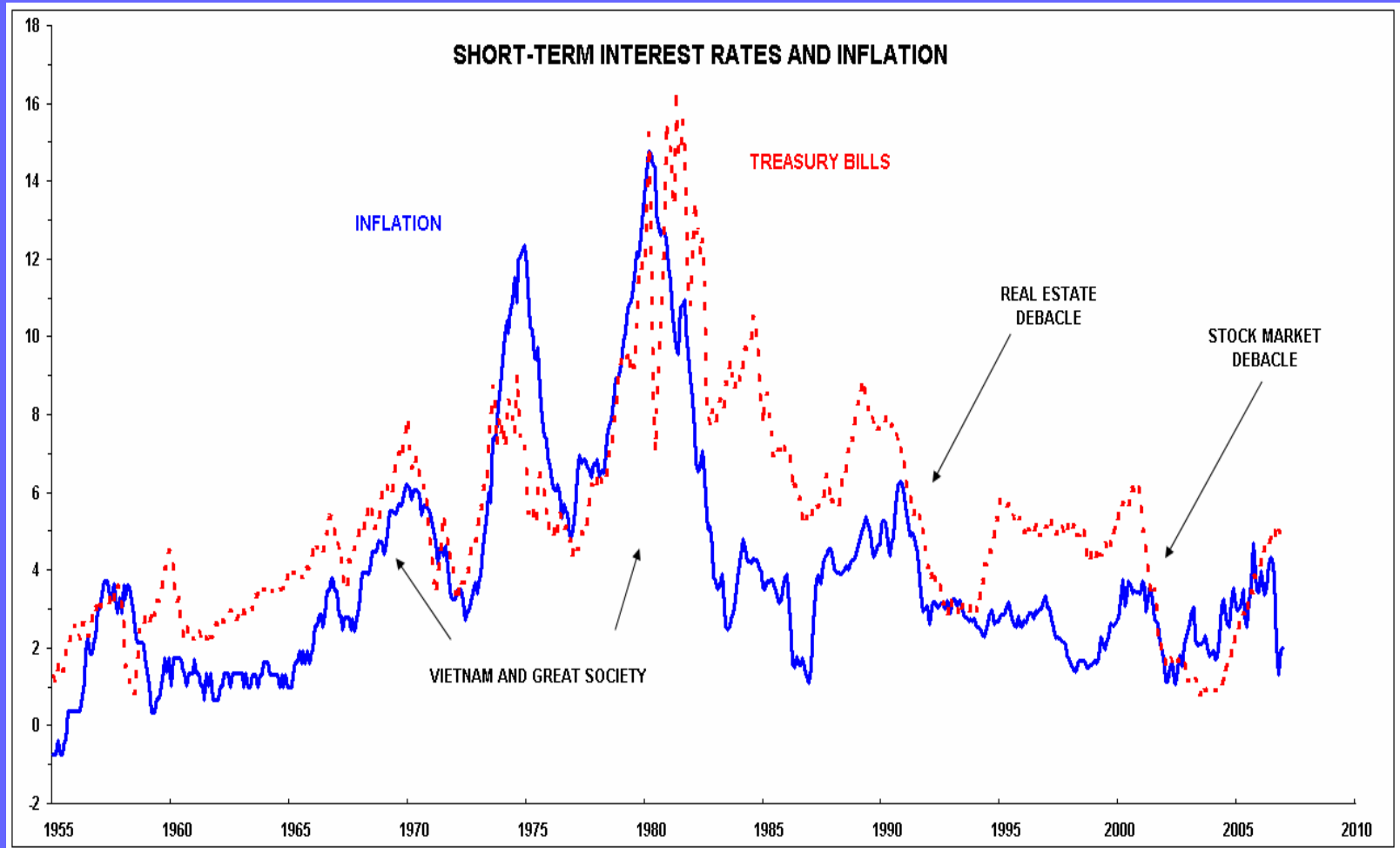
- **LONG-TERM FORCES**
- **NEAR-TERM OUTLOOK**
- **INVESTMENT STRATEGY**

# *Peter Dag's* **PERFORMANCE**

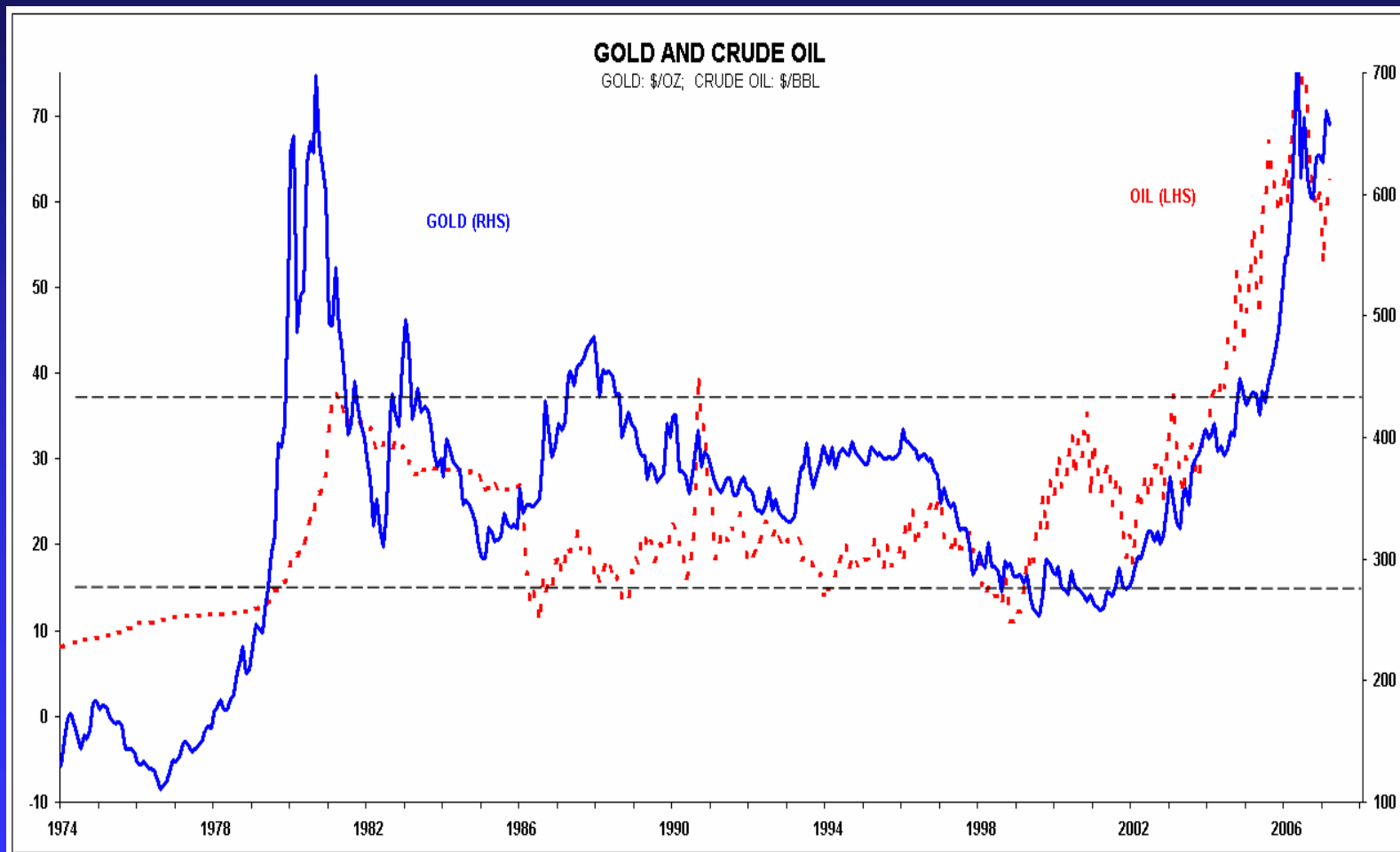
	<u><b>S&amp;P 500</b></u>
2002 +7.4%	-23.4%
2003 +30.4%	+26.4%
2004 +16.9%	+9.0%
2005 + 4.1%	+3.0%
2006 +7.2%	+13.6%
Total <u>+82.7%</u>	<u>+23.5%</u>

(S&P dividends excluded, Source: Hulbert)

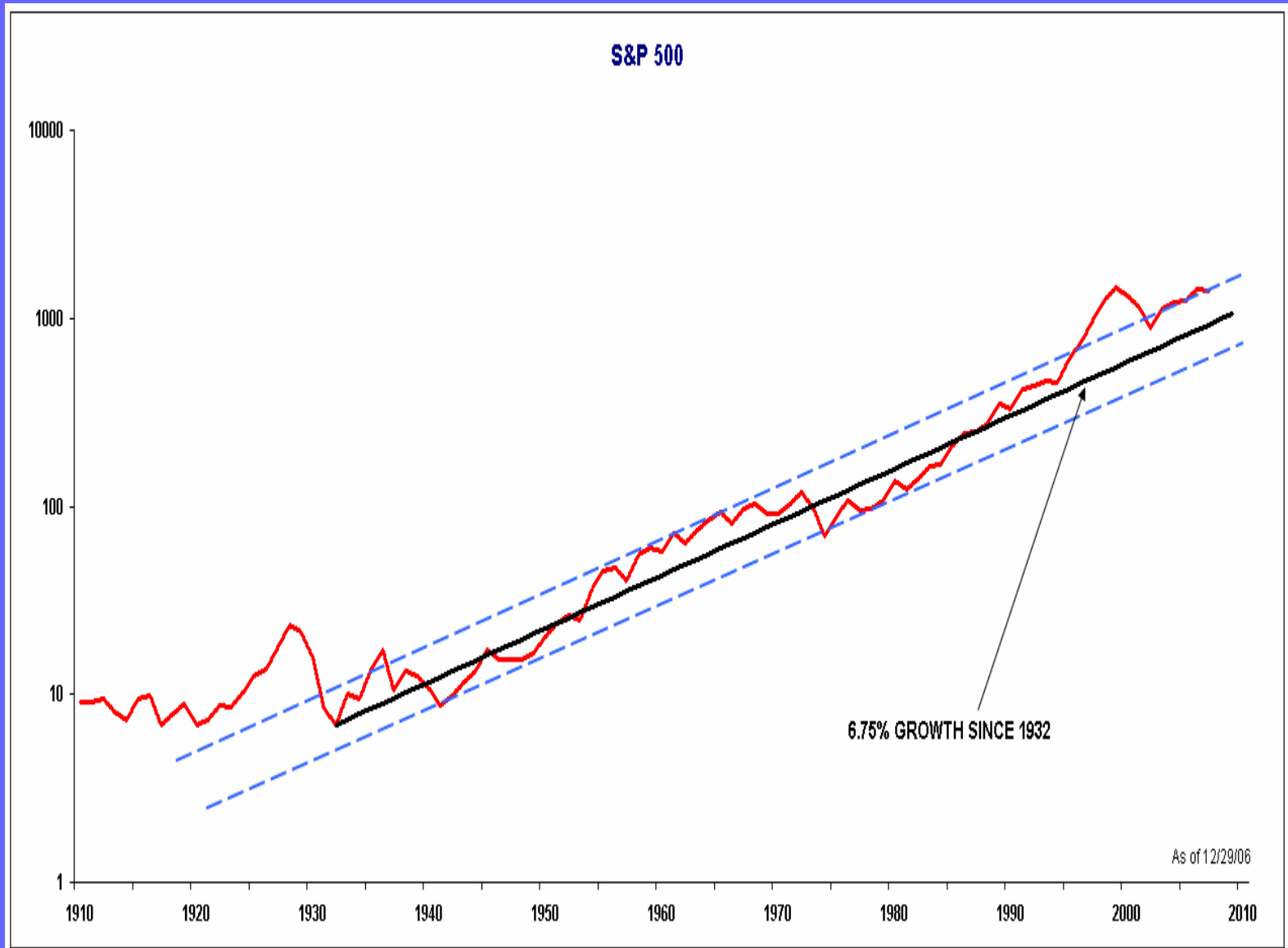
# CHEAP MONEY AND CRISES



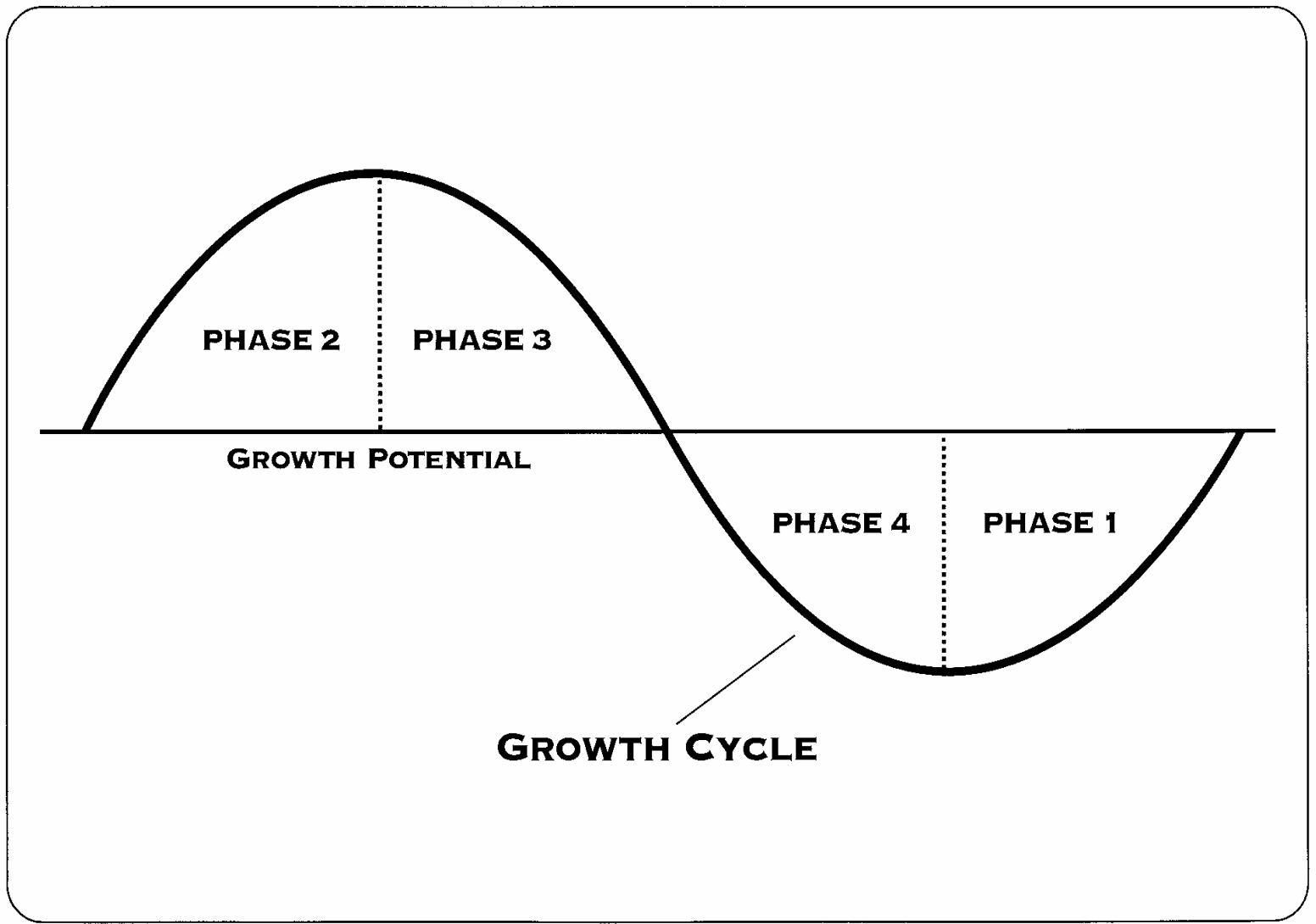
# COMMODITY BUBBLES



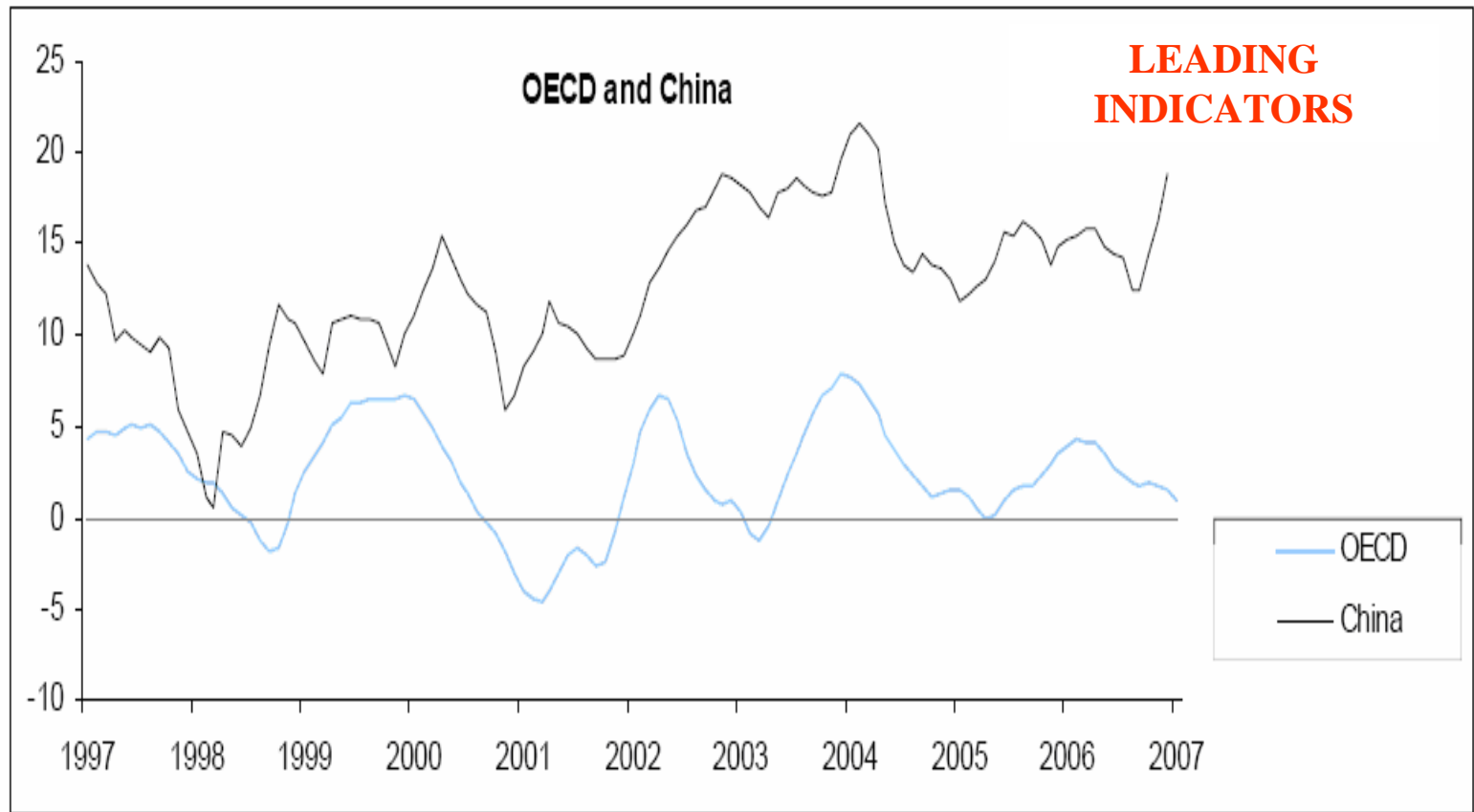
# CAN IT GROW FASTER?



# BUSINESS CYCLE

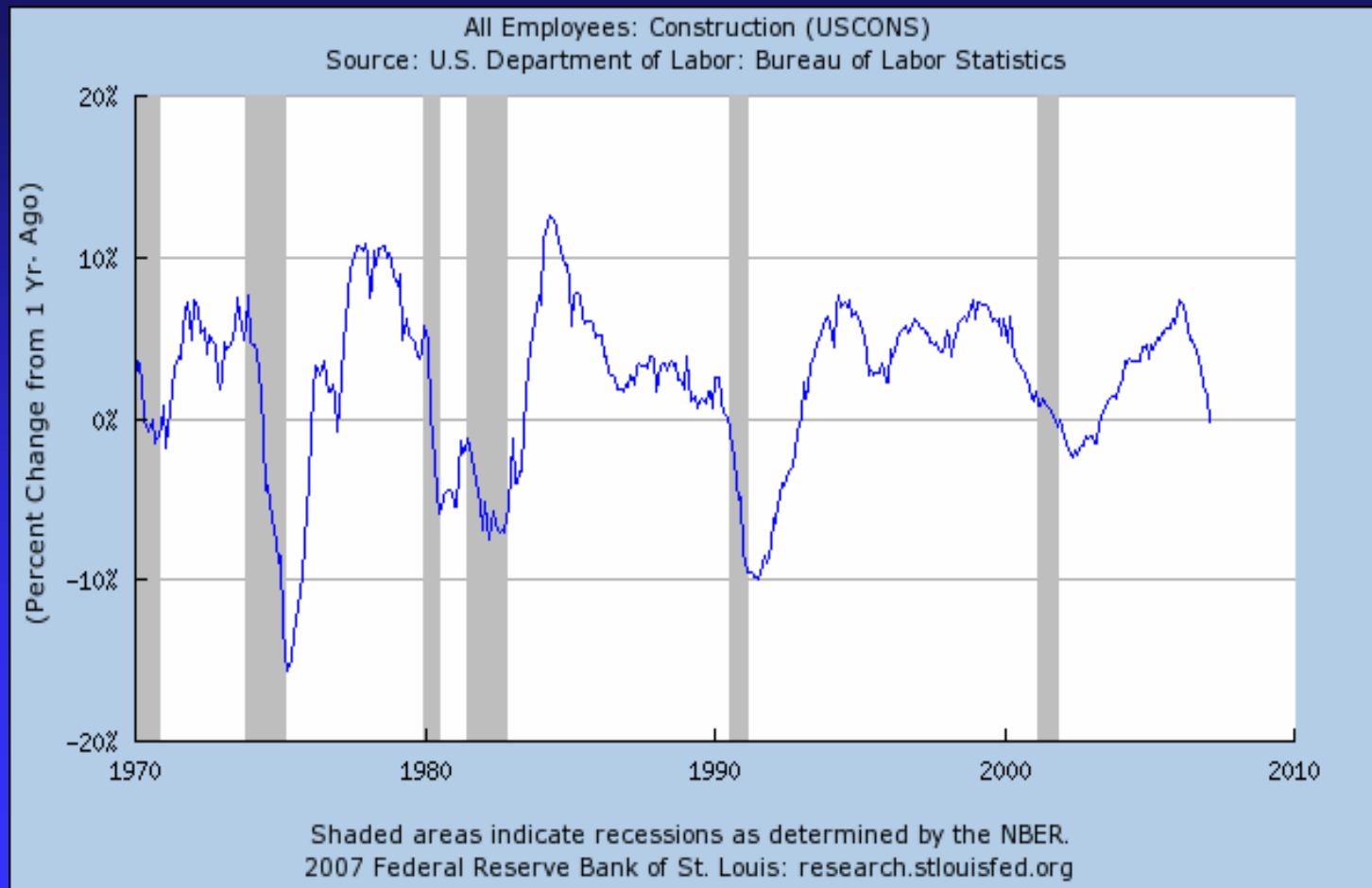


# THE GLOBAL BUSINESS CYCLE





# THE CYCLICAL SETTING



# COMMODITIES ARE SPUTTERING

\$CRB (Reuters/Jefferies CRB Index) INDX

30-Mar-2007 4:00pm

© StockCharts.com

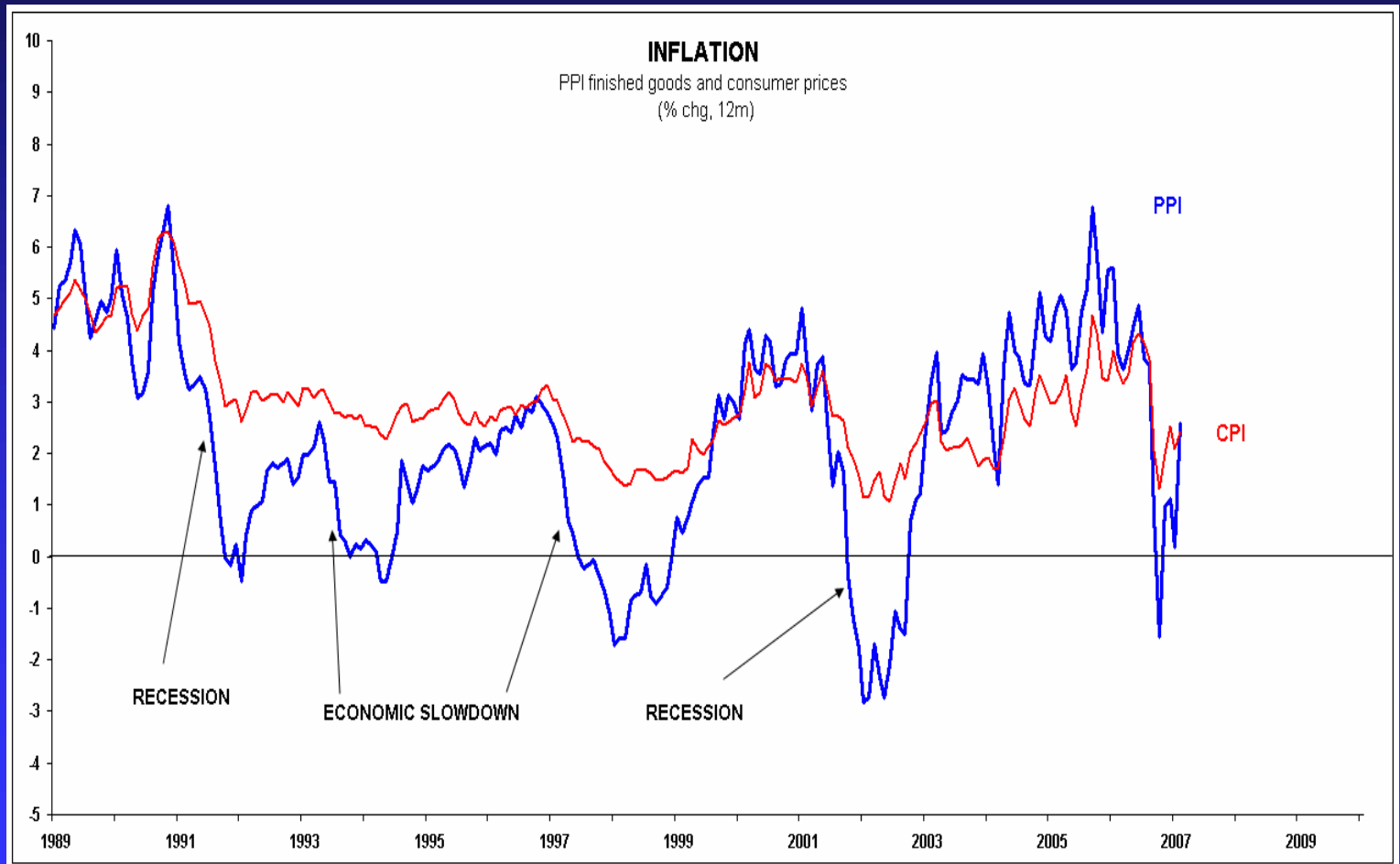
Open 310.83 High 318.85 Low 310.66 Last 316.88 Chg +5.94 (+1.91%)▲

\$CRB (Weekly) 316.88

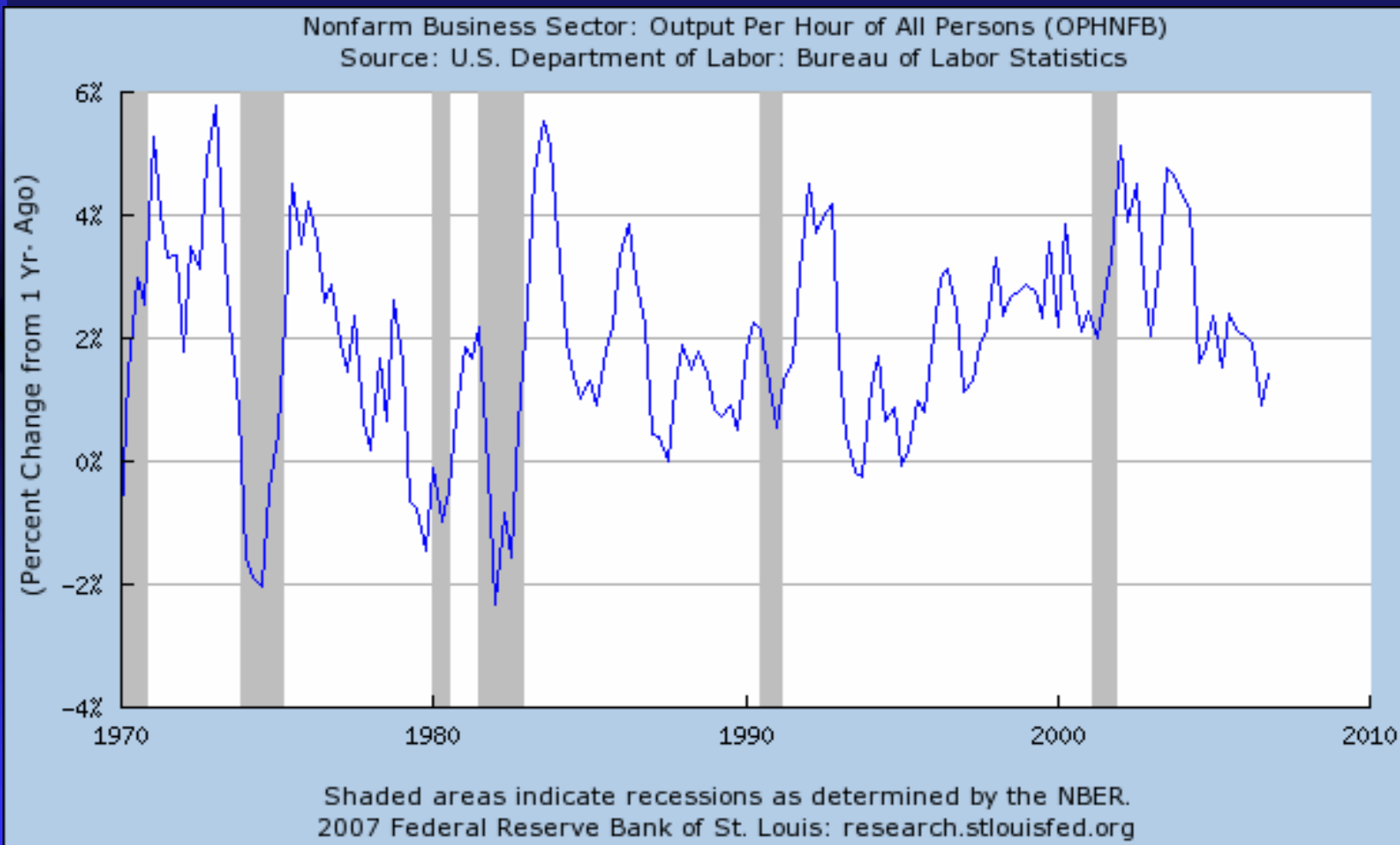
Volume undef



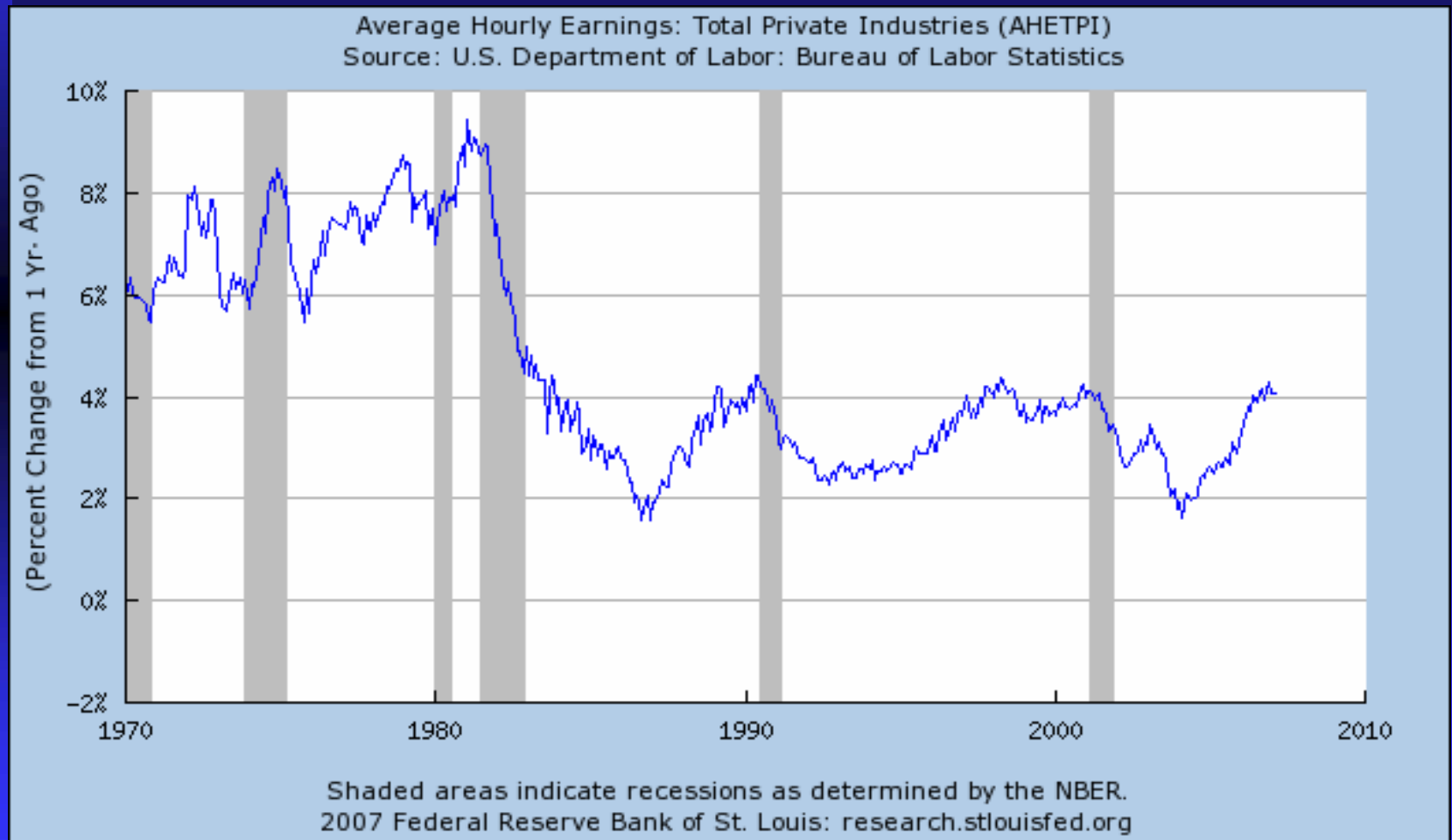
# INFLATION IS AN ISSUE



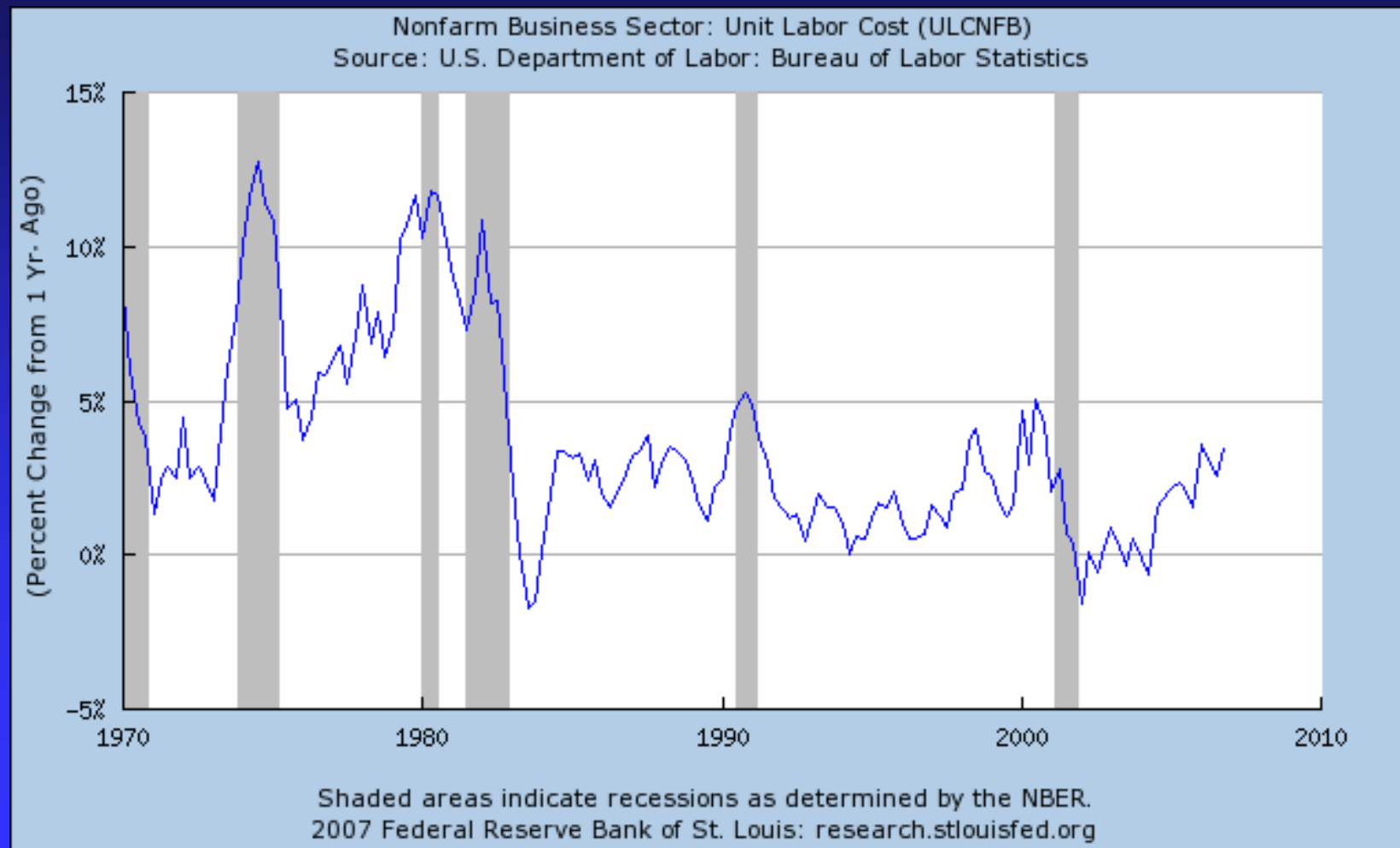
# PRODUCTIVITY: DOWN



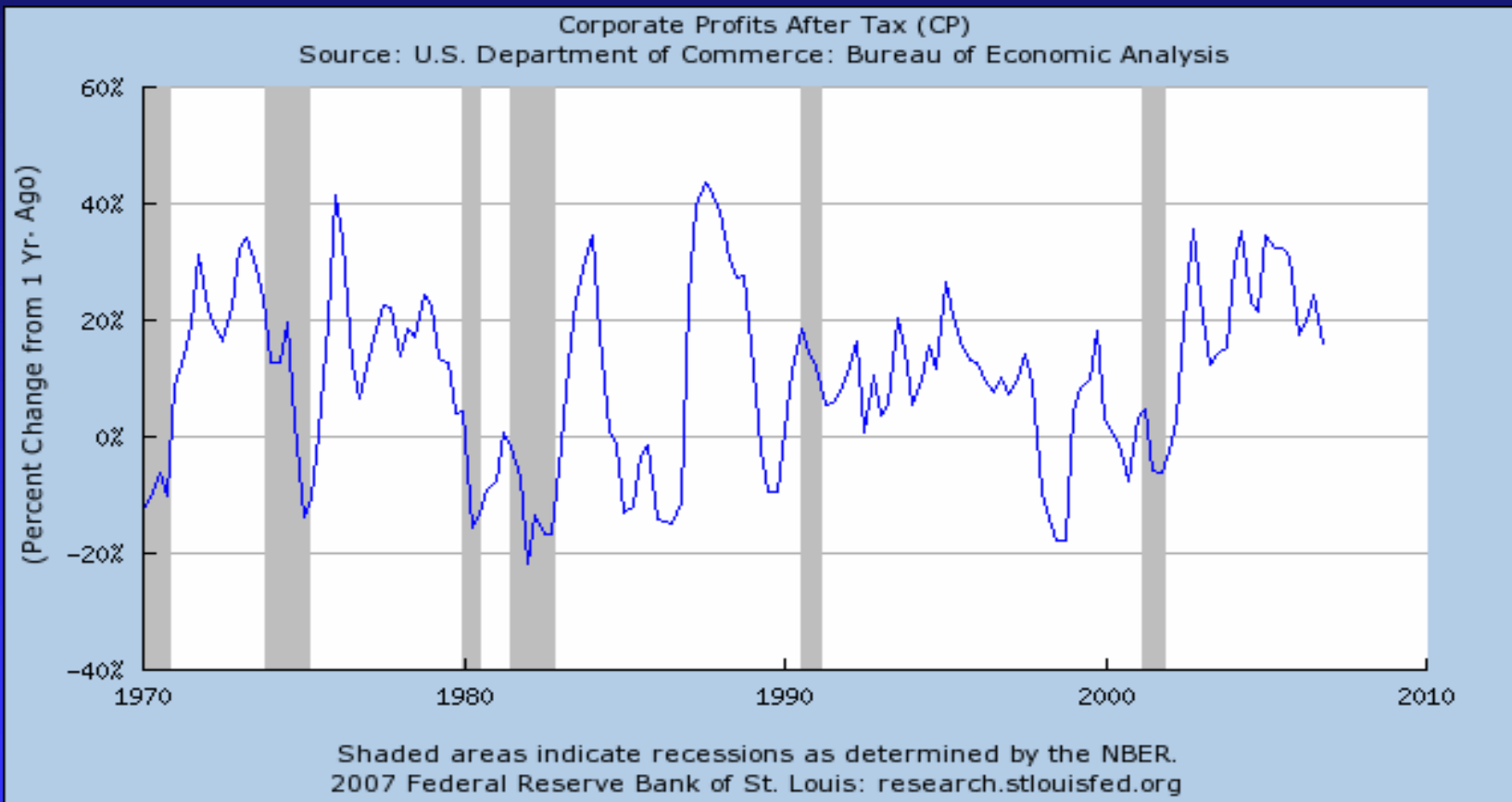
# WAGES: RISING FASTER



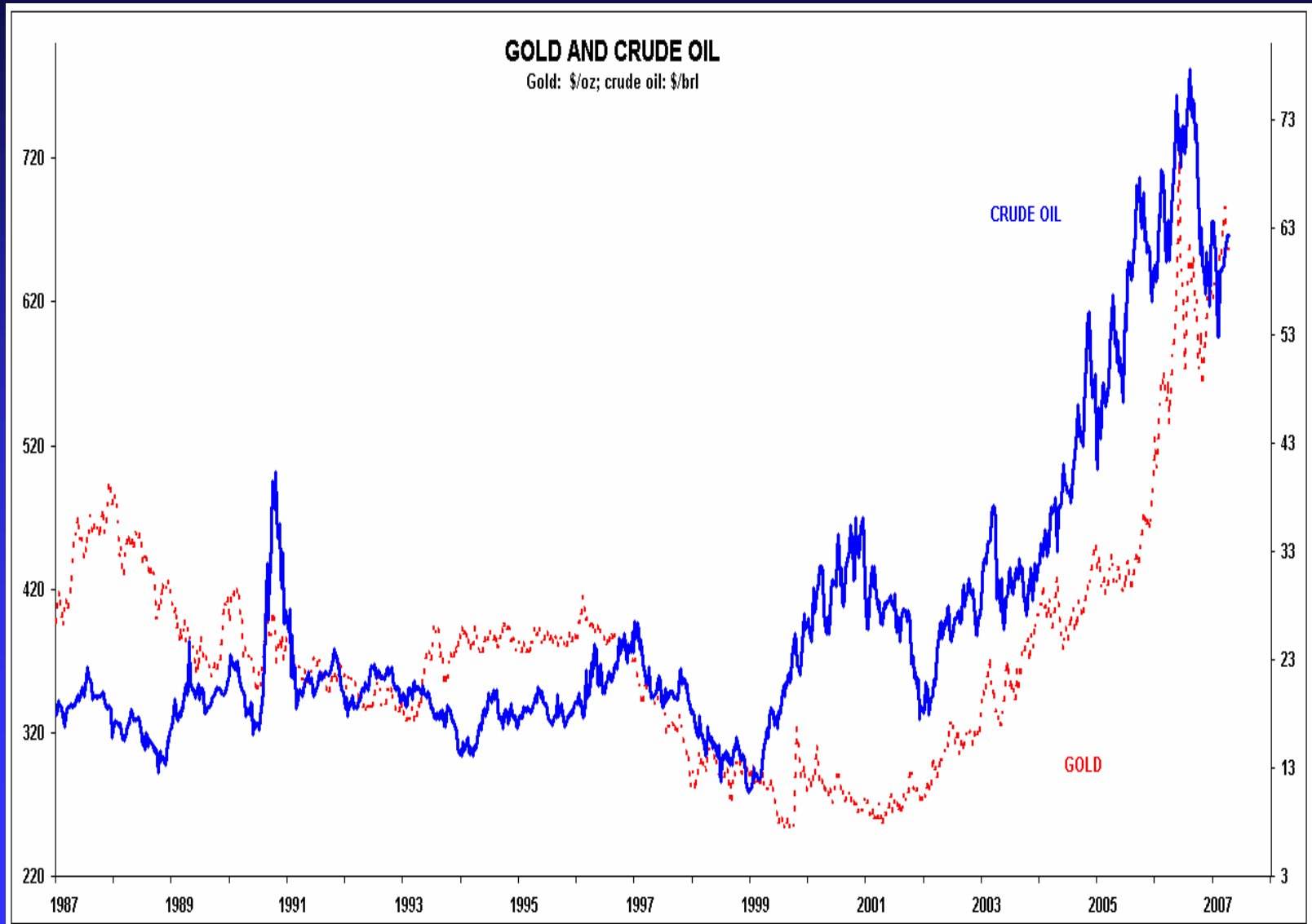
# LABOR COSTS: UP



# PROFITS: DOWN

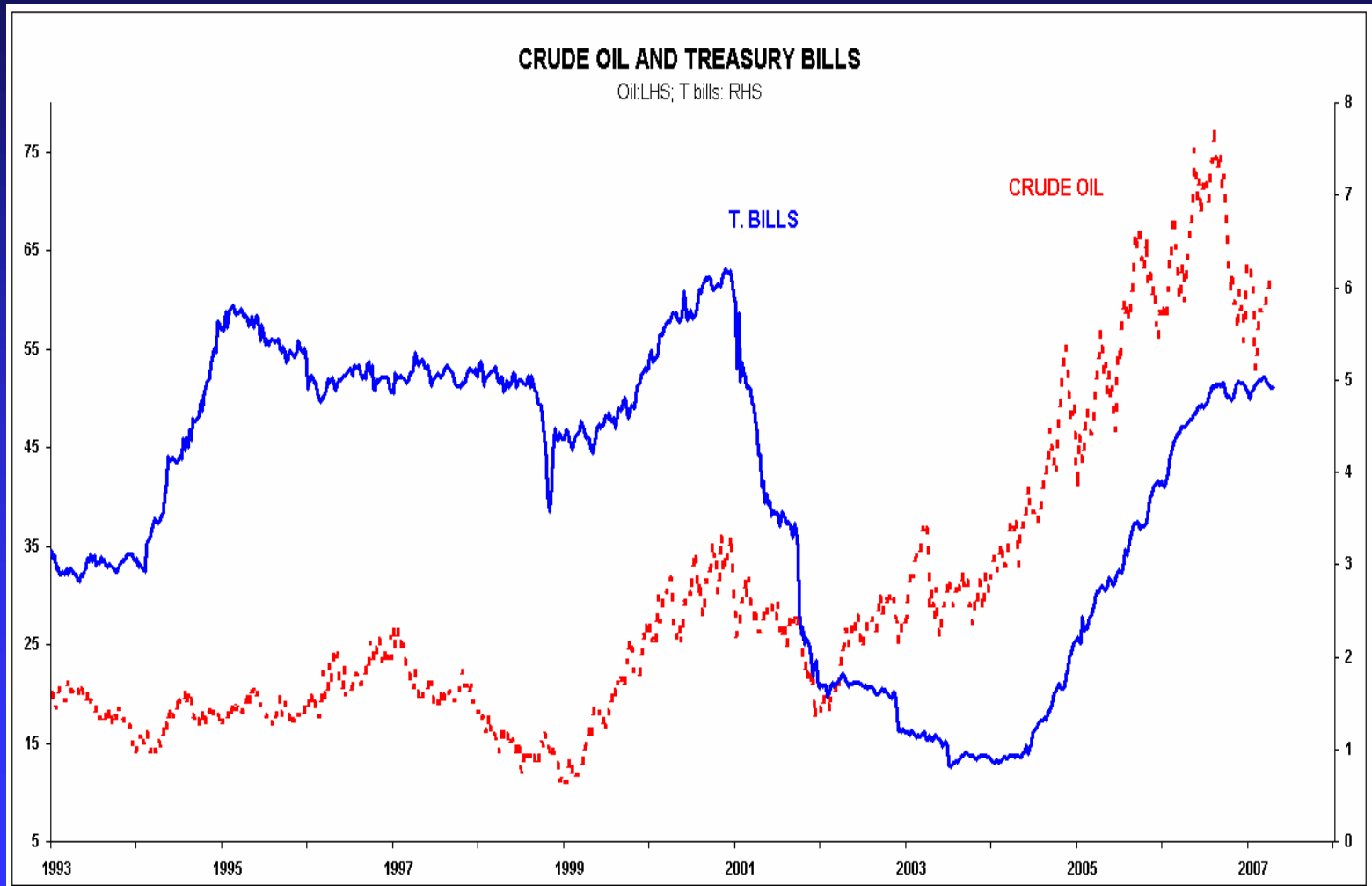


# GOLD AND OIL

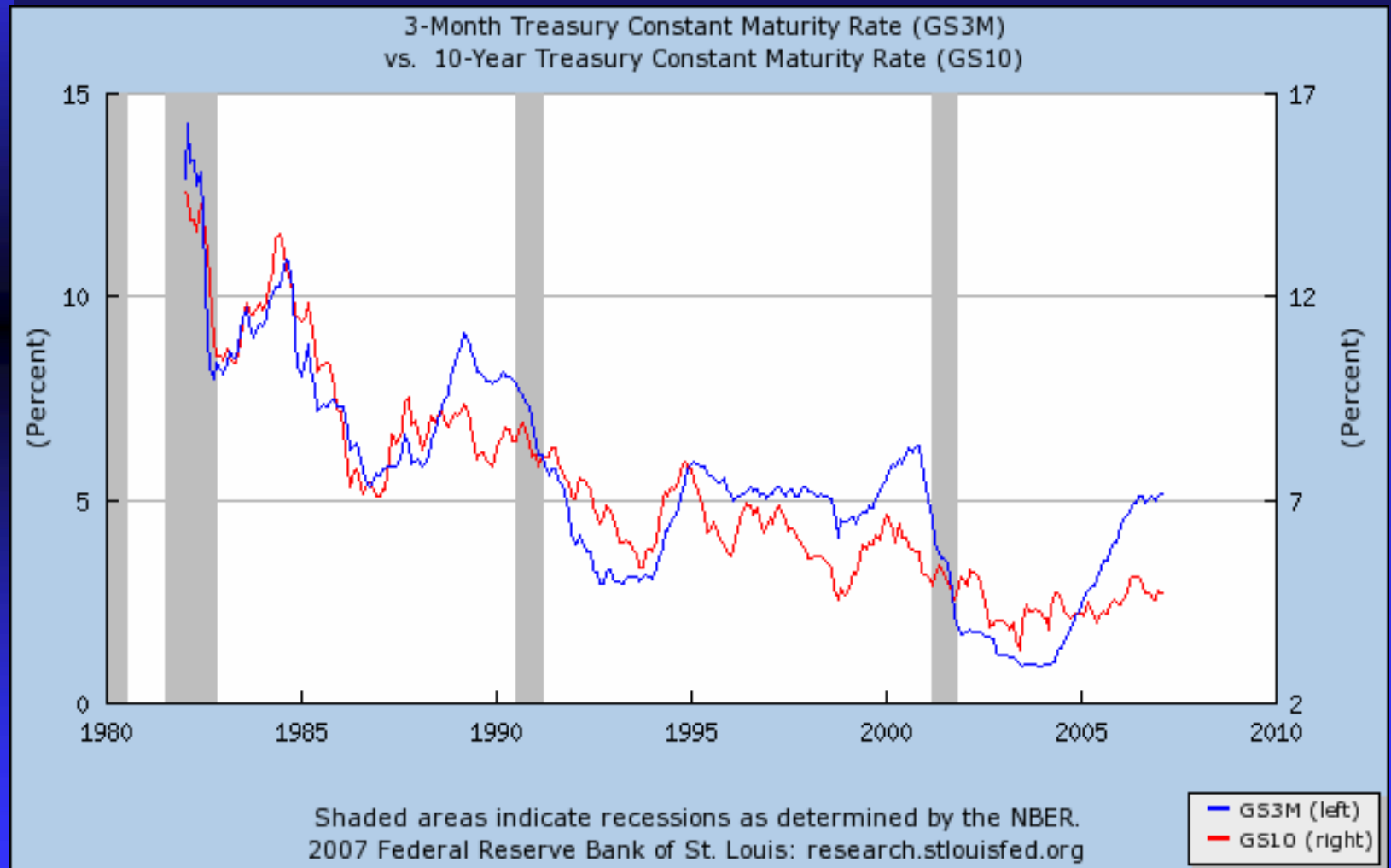




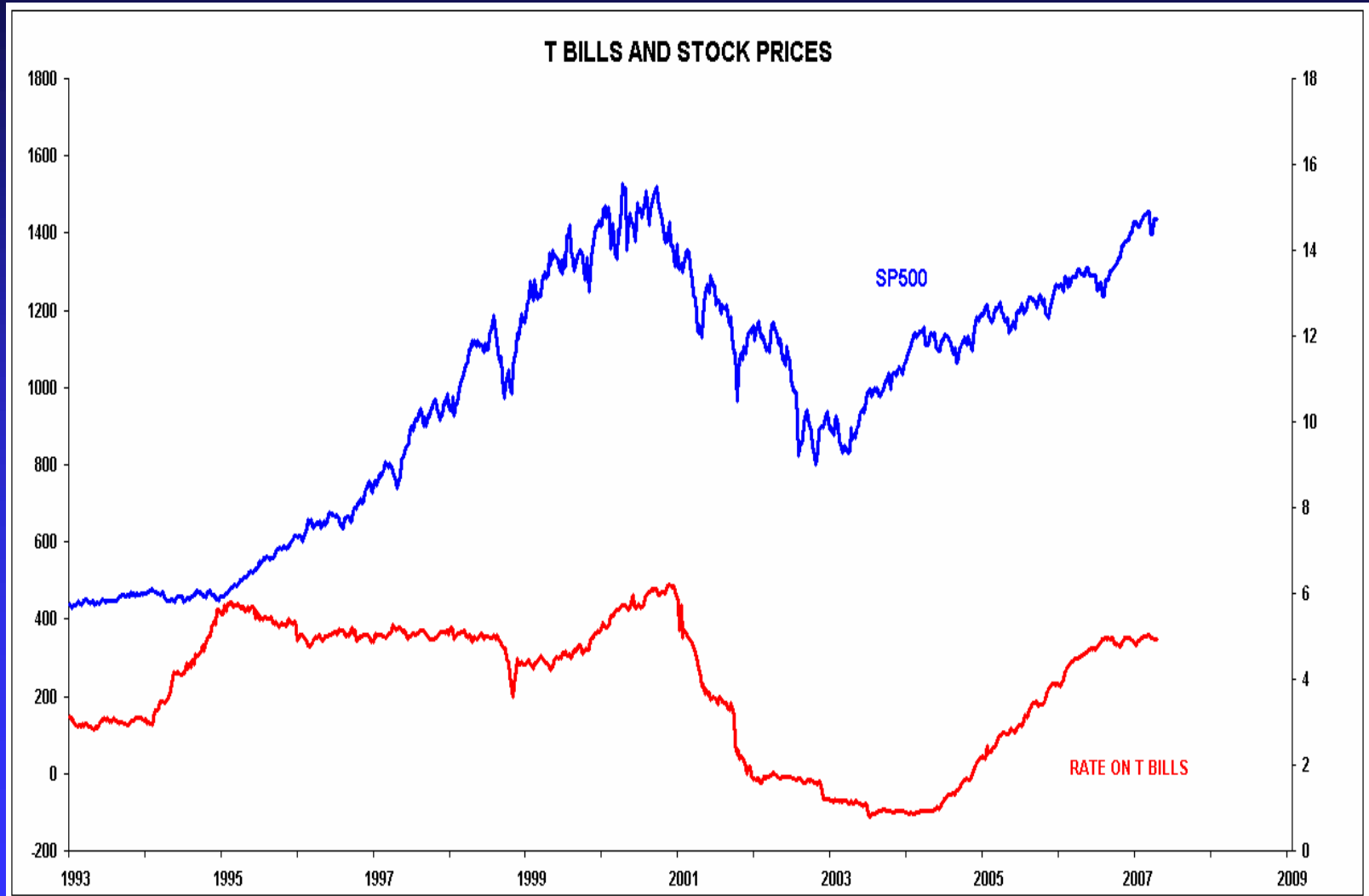
# OIL AND T. BILLS



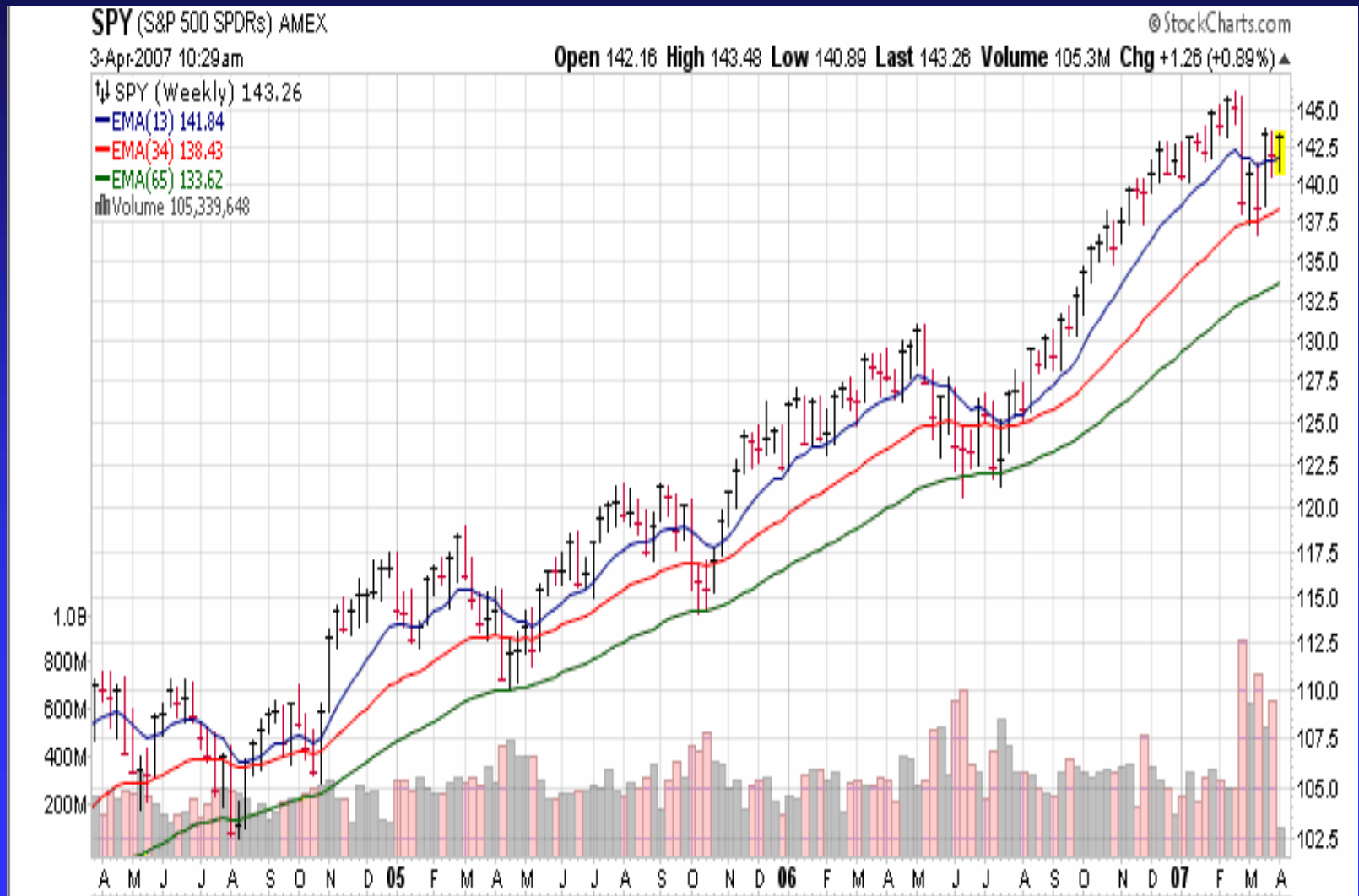
# YIELD CURVE: INVERTED



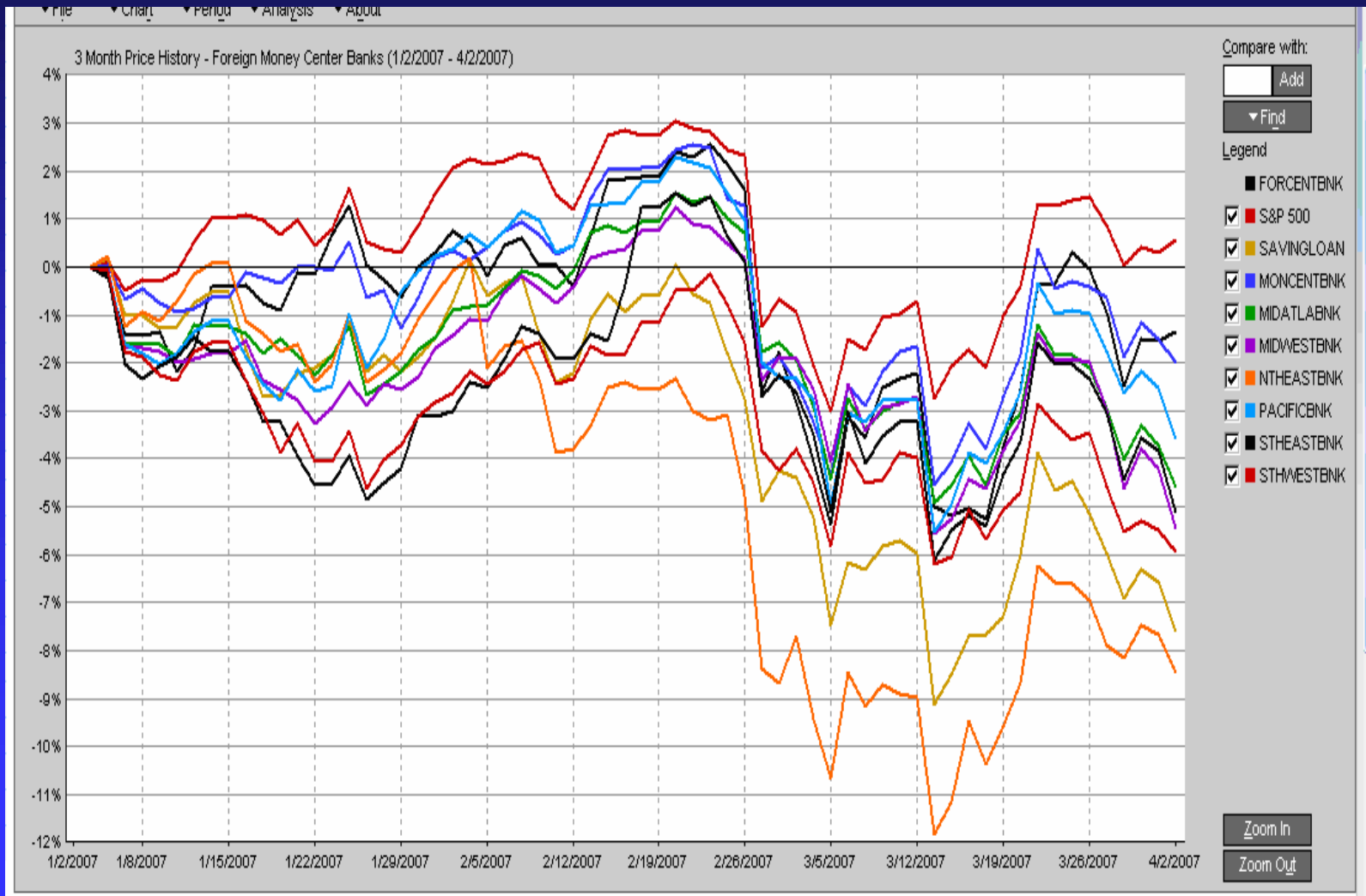
# IS IT DIFFERENT THIS TIME?



# THE TREND IS UP



# BANKS, YIELD CURVE, AND CREDIT RISK



# UTILITIES: STRONG



# MATERIAL STOCKS: STRONG

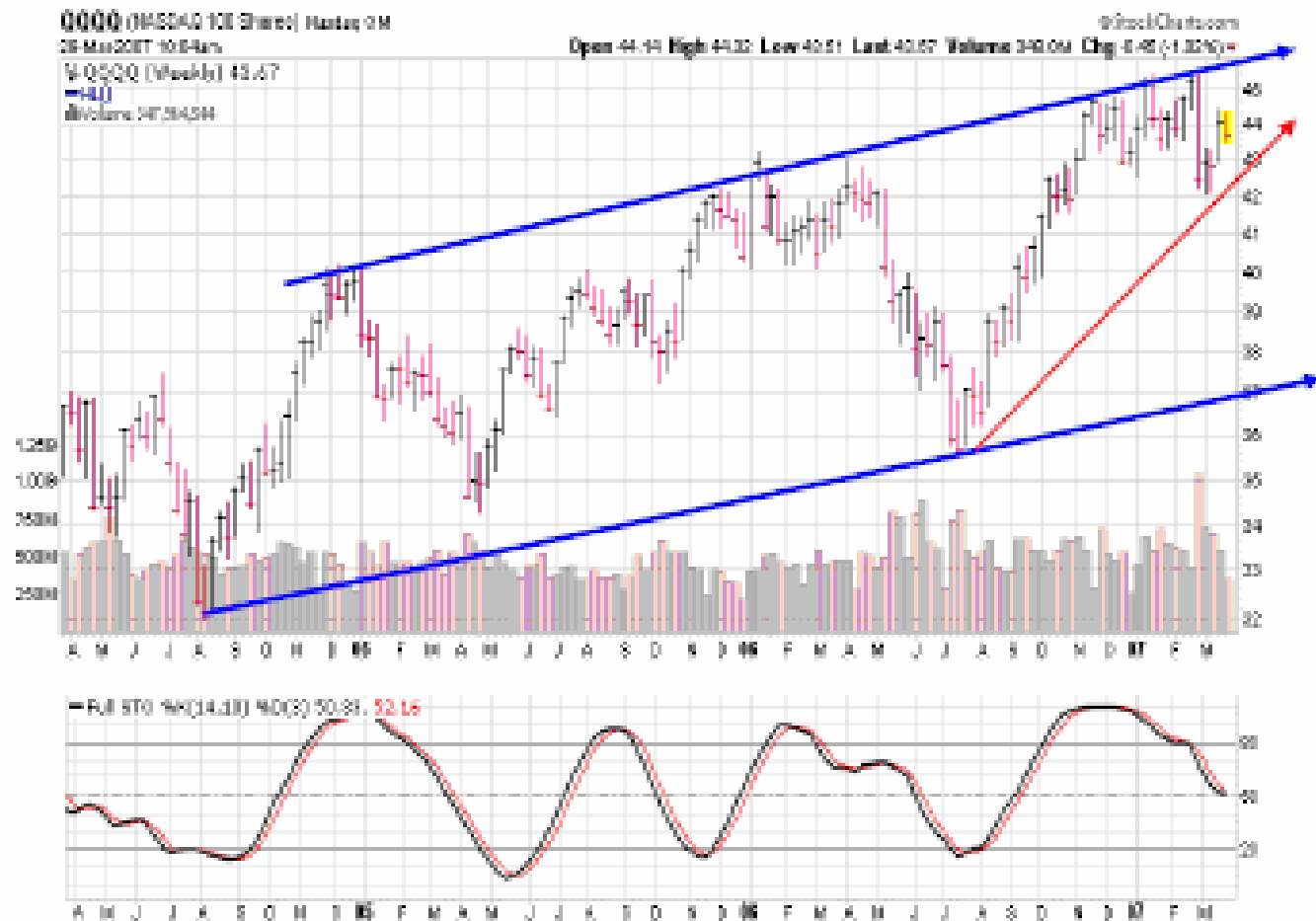


# SMOKING AHoy!!!!





# TECHNICAL VIEW



# THE POINT

- ECONOMY AND PROFITS ARE SLOWING DOWN...POSSIBLY RECESSION
- STABLE S-T INTEREST RATES
- COMMODITIES GOING NOWHERE SINCE LAST MAY
- WEAK BANKS=FINANCIAL RISK, YIELD CURVE INVERTED
- COMMODITY STOCKS STILL STRONG
- MARKET IN A CONSOLIDATION SINCE DECEMBER..BUT IN A BULL MARKET
- TOBACCO IS SMOKING

# KEEP IN MIND ....

- DIVERSIFICATION = AVERAGE PERFORMANCE
- AVOID ASSET CLASSES NOT IN TUNE WITH BUSINESS CYCLE
- INVEST IN SECTORS BENEFITTING FROM CURRENT BUSINESS CONDITIONS

# STRATEGY

- **THE MARKETS WILL REFLECT THE ECONOMIC SLOWDOWN**
- **COMMODITY SENSITIVE SECTORS WILL CONTINUE TO LOSE STEAM**
- **INT. RATE SENSITIVE SECTORS WILL GRADUALLY BECOME STRONGER**
- **THIS IS A GOOD TIME TO REBALANCE YOUR PORTFOLIO, POSSIBLY RAISE SOME CASH**

**DID YOU LIKE  
THIS PRESENTATION?**

**I WILL BE DELIGHTED  
TO MAKE A  
SIMILAR PRESENTATION  
TO YOUR  
INVESTMENT GROUP**