

# INVESTING IN UP AND DOWN MARKETS

George Dagnino, PhD

*The Peter Dag Portfolio  
Strategy and Management*

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

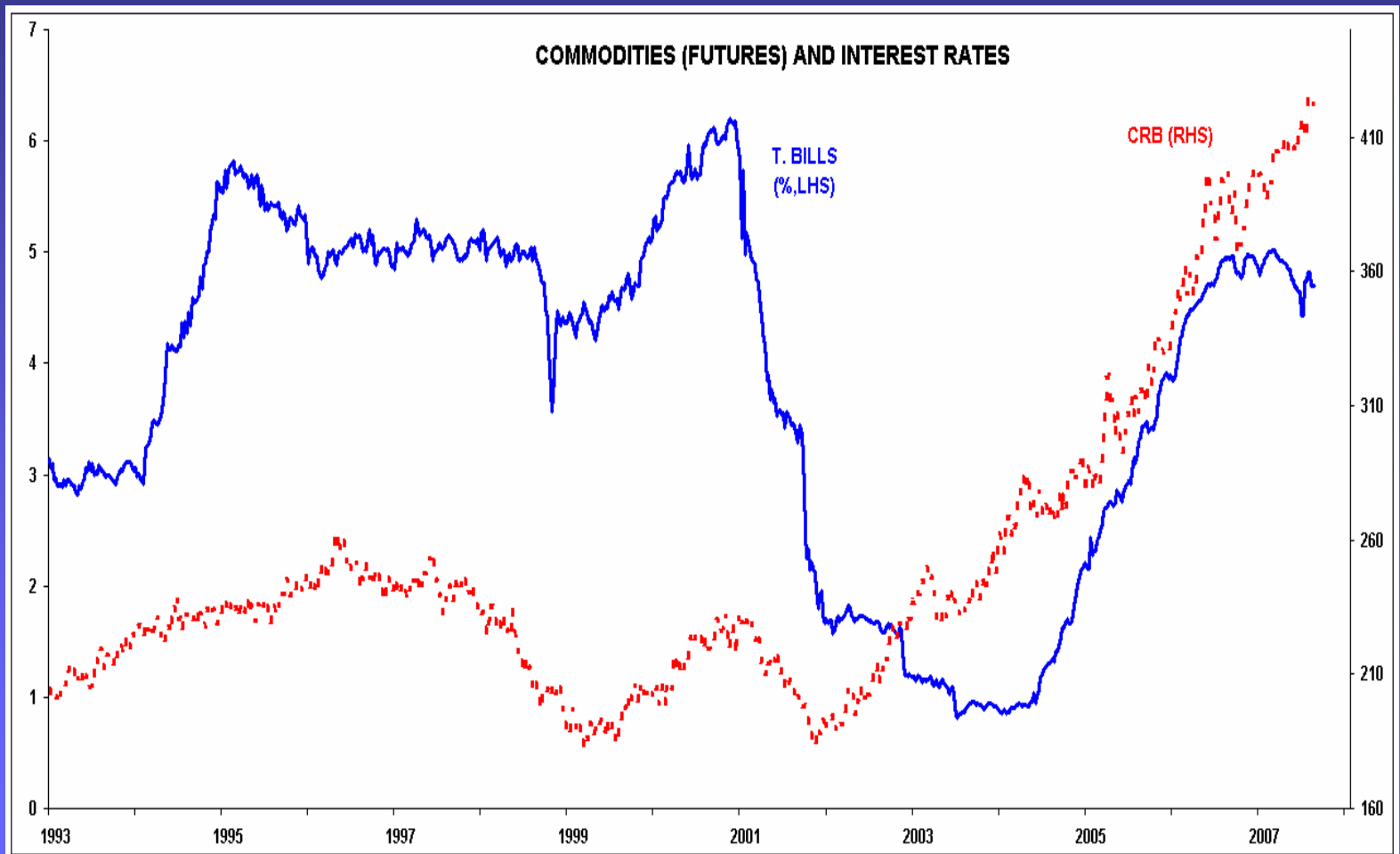
- **LONG-TERM FORCES**
- **NEAR-TERM OUTLOOK**
- **INVESTMENT STRATEGY**

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

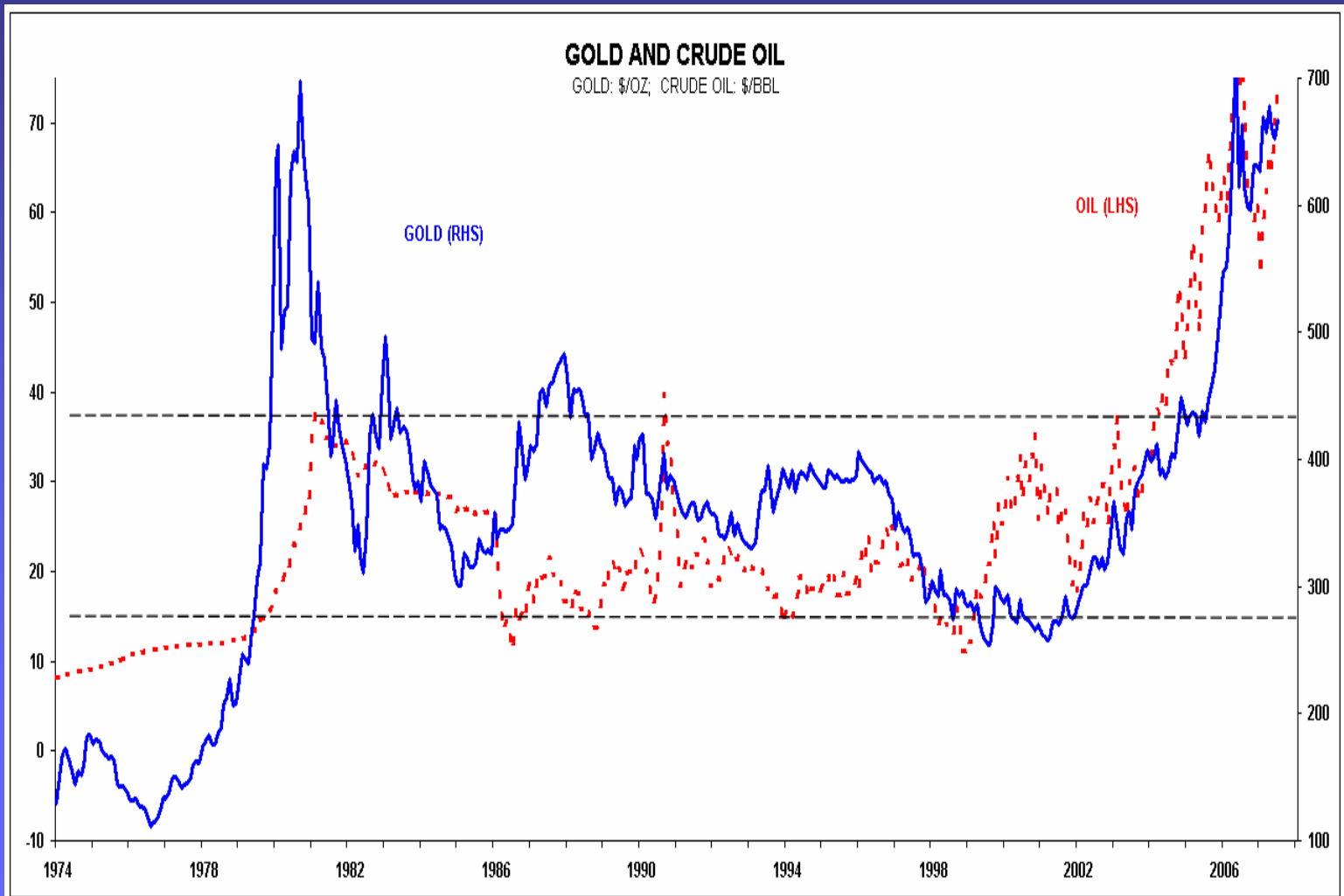
	<u><b>S&amp;P 500</b></u>
2002 +7.4%	-23.4%
2003 +30.4%	+26.4%
2004 +16.9%	+9.0%
2005 + 4.1%	+3.0%
2006 +7.2%	+13.6%
Total <u>+82.7%</u>	<u>+23.5%</u>

(S&P dividends excluded, Source: Hulbert)

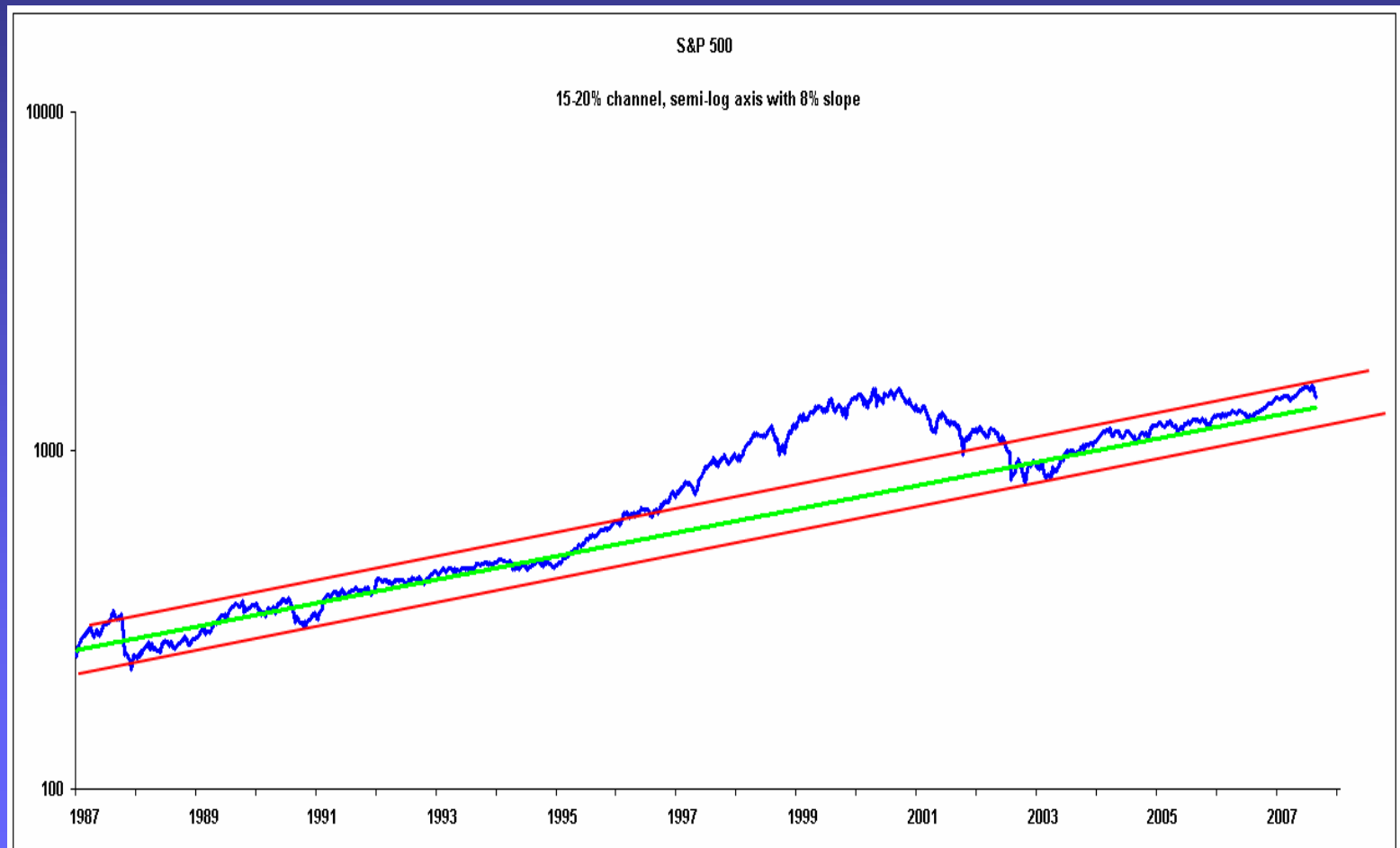
# THE MARKETS WIN



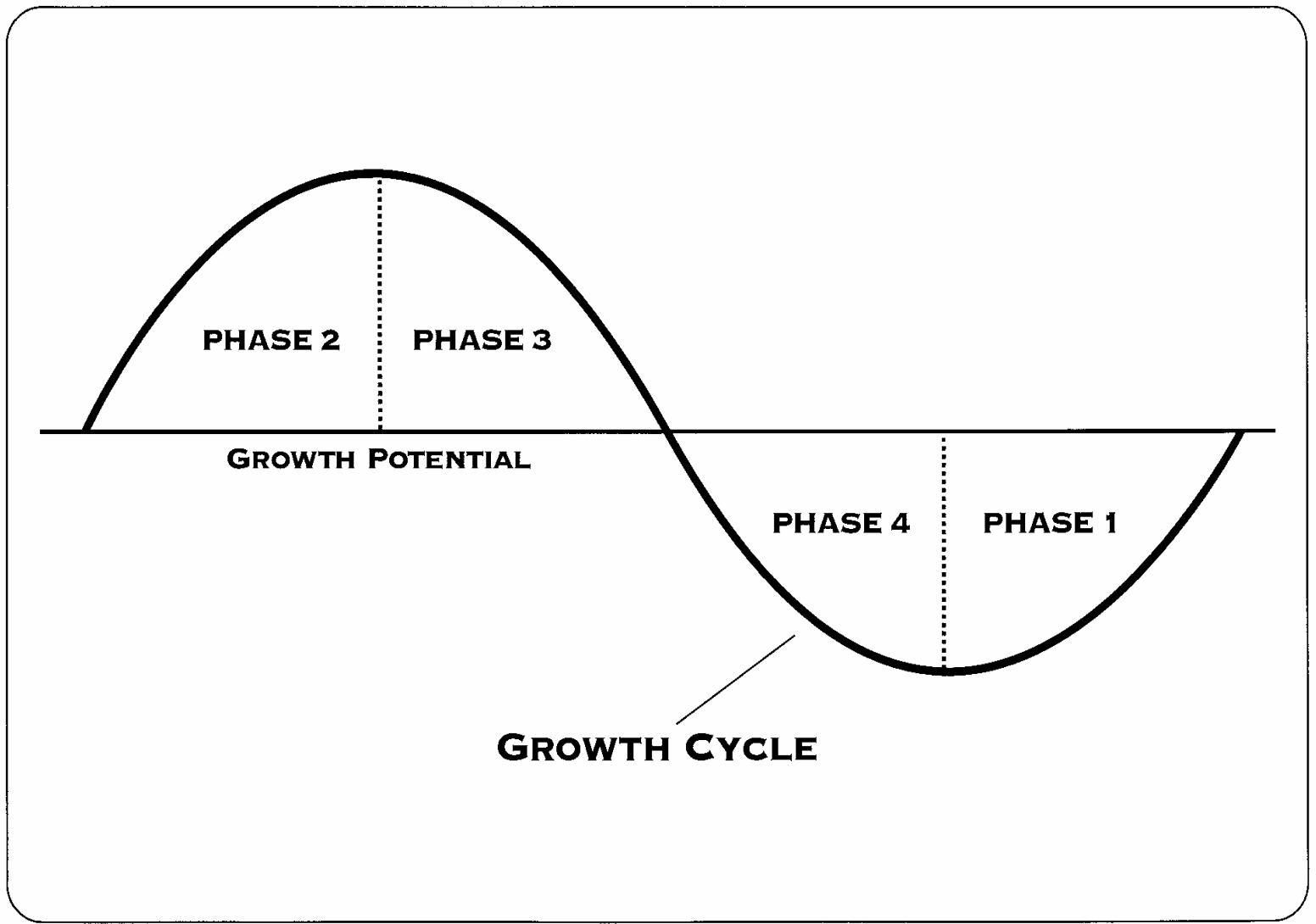
# MAN-MADE (FED) COMMODITY BUBBLES



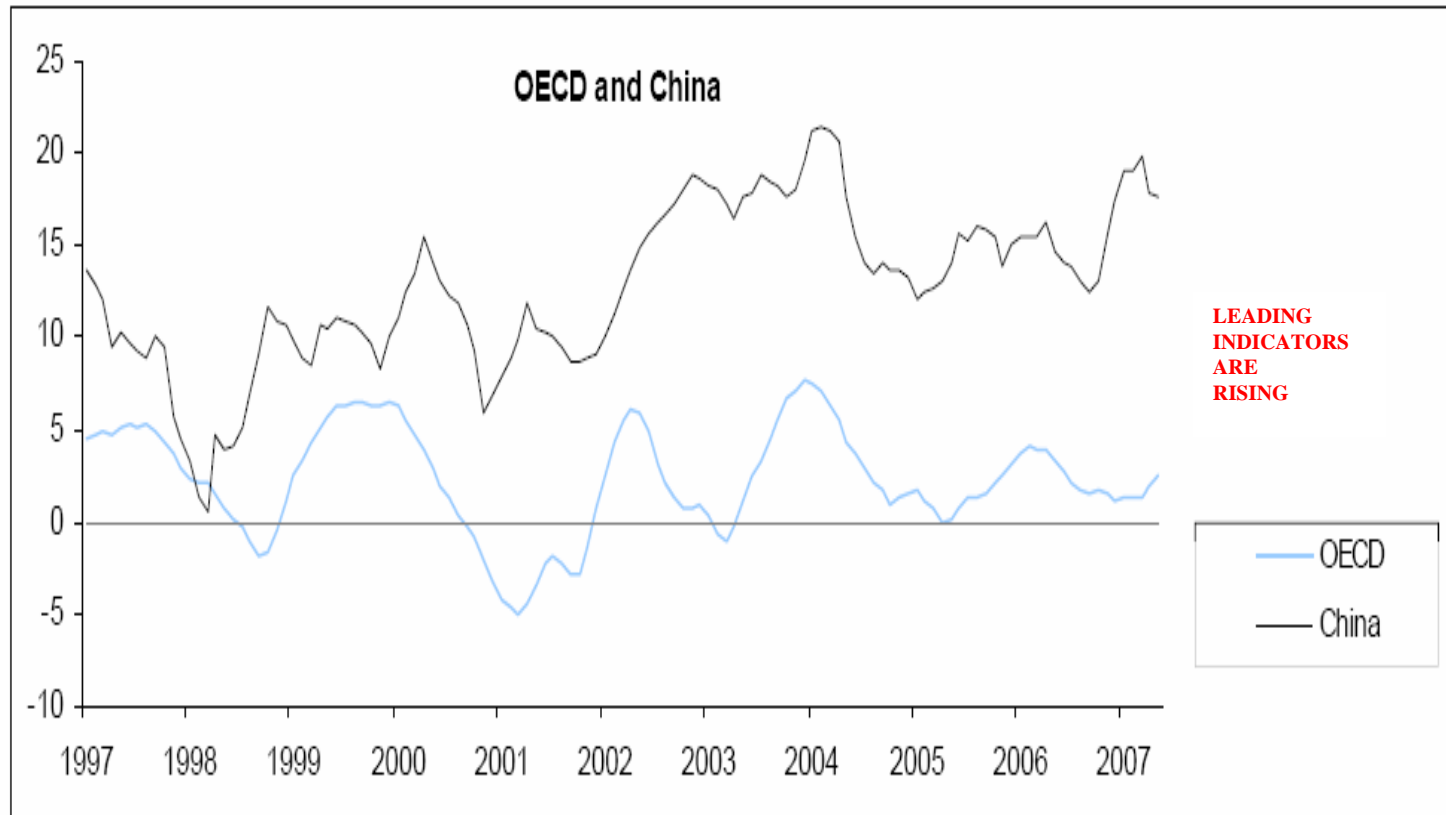
# CAN IT GROW FASTER?



# BUSINESS CYCLE

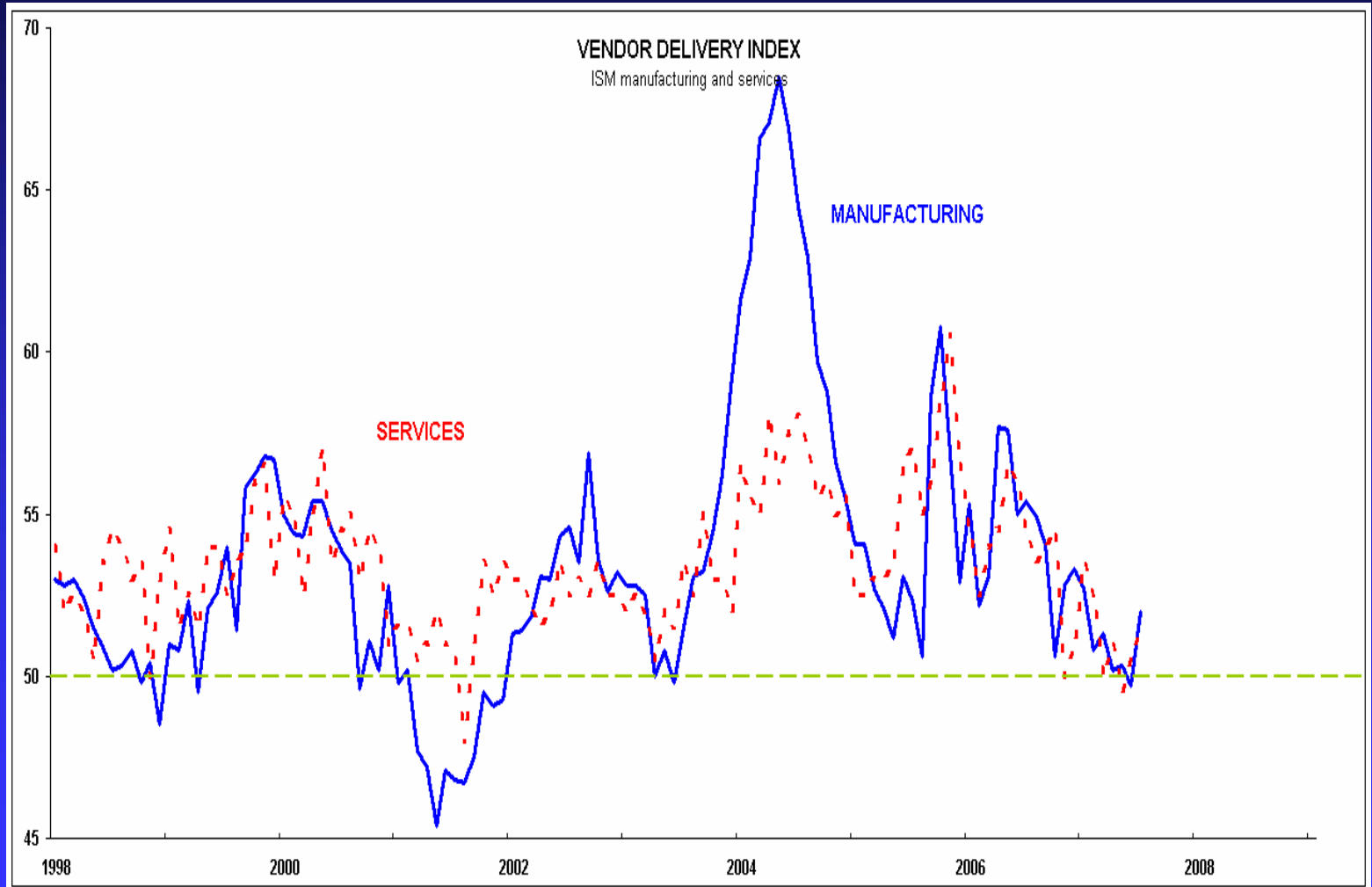


# THE GLOBAL BUSINESS CYCLE

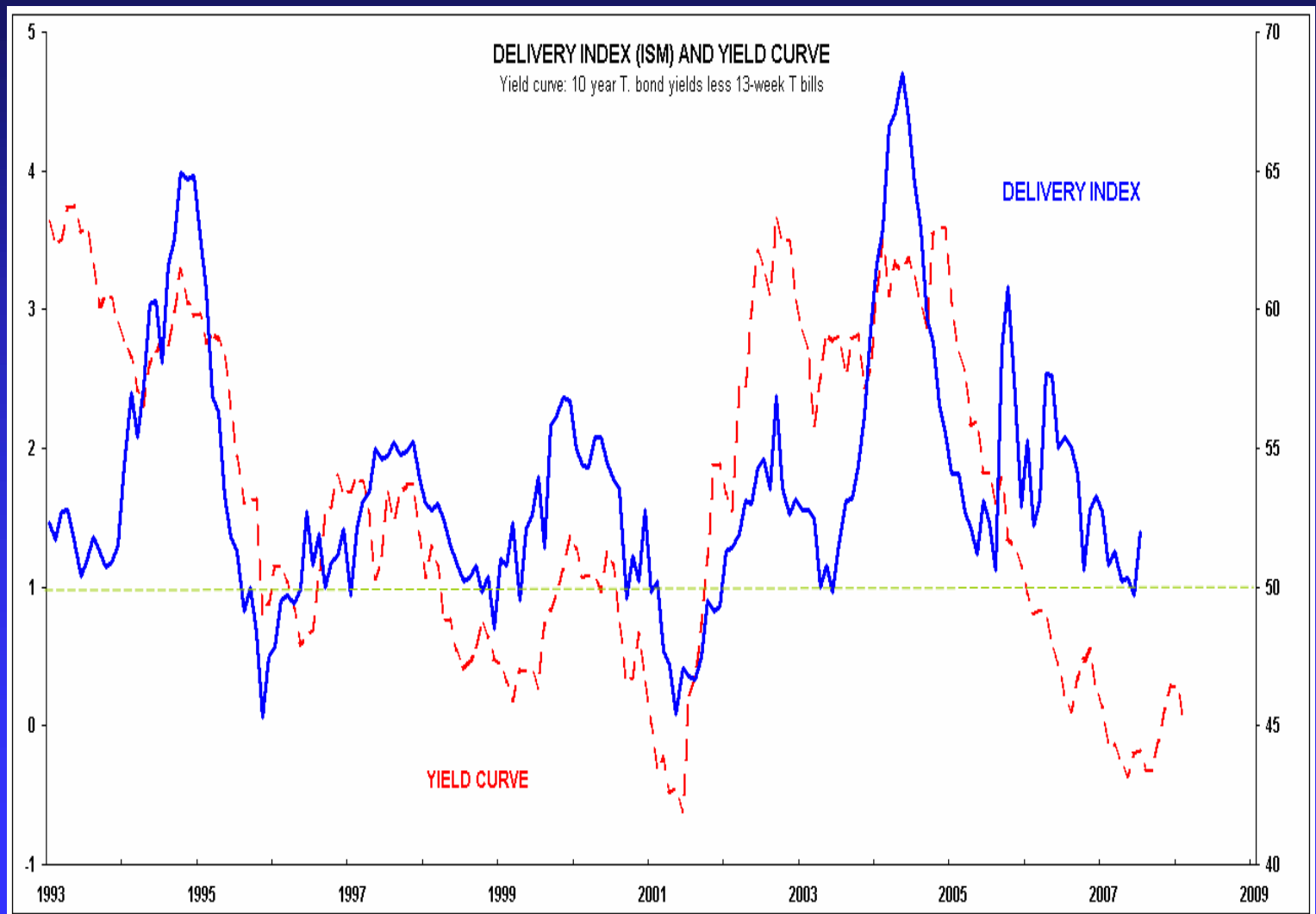




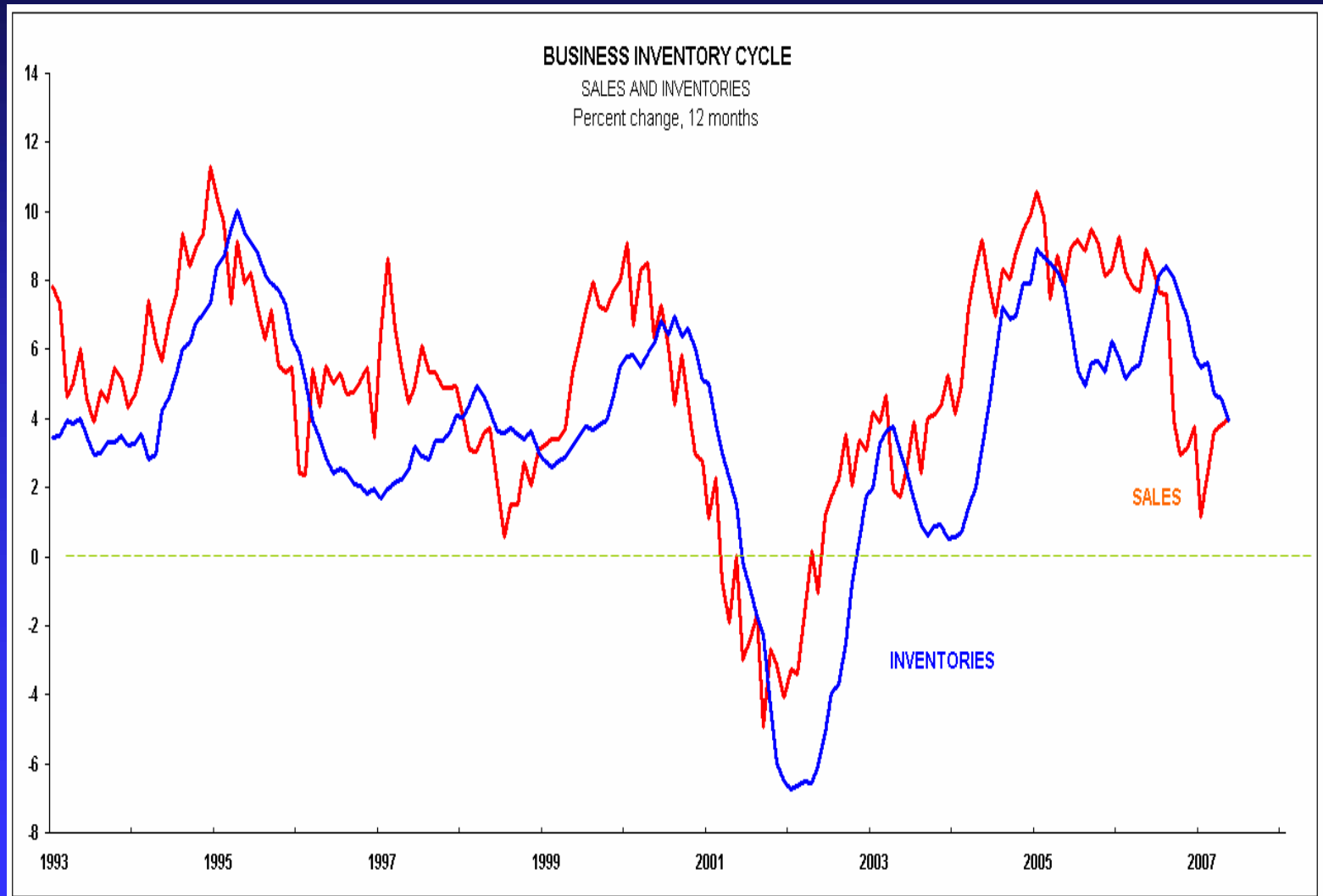
# US BUSINESS CYCLE



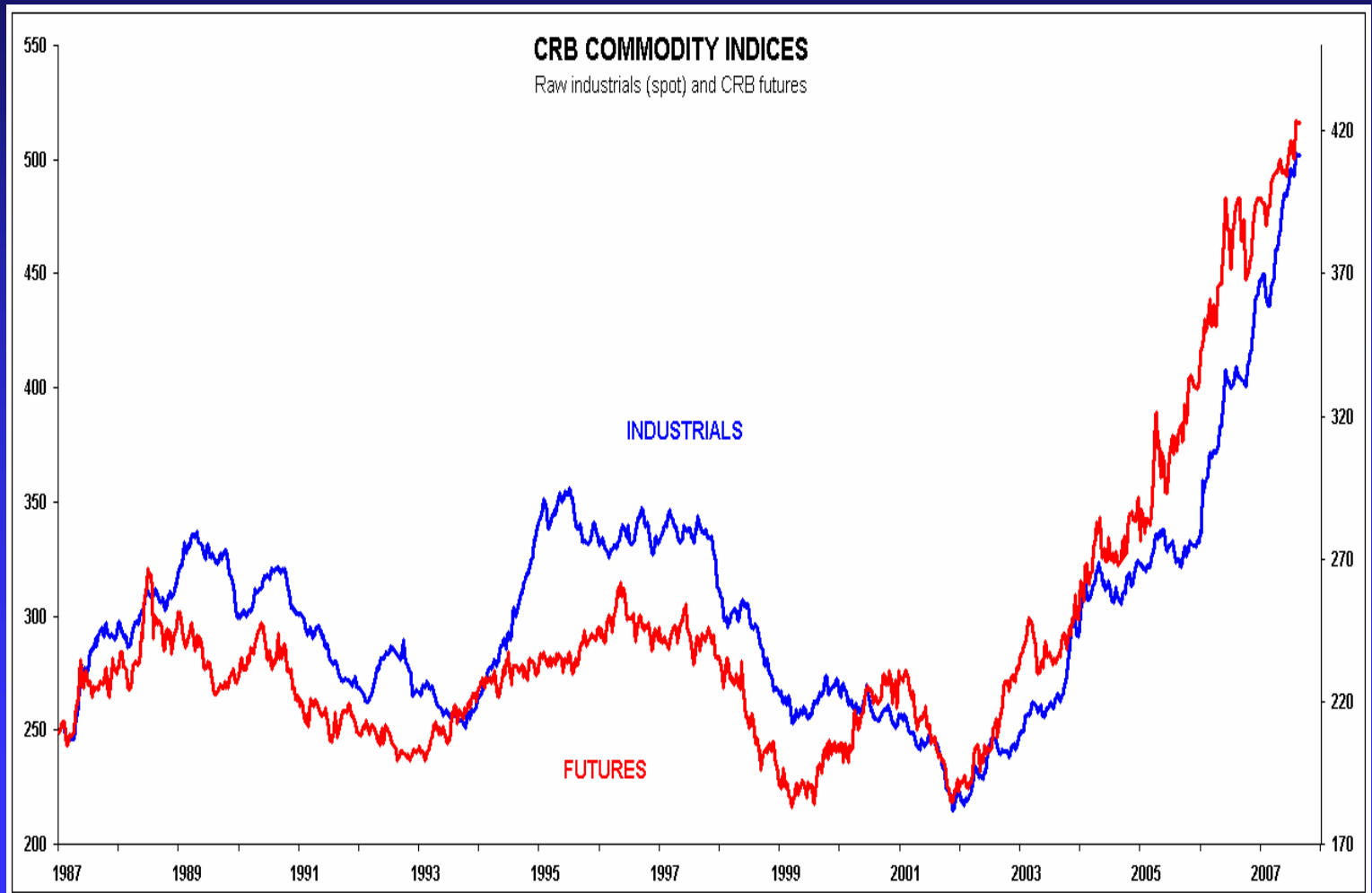
# YIELD CURVE POINTS TO SLOW GROWTH



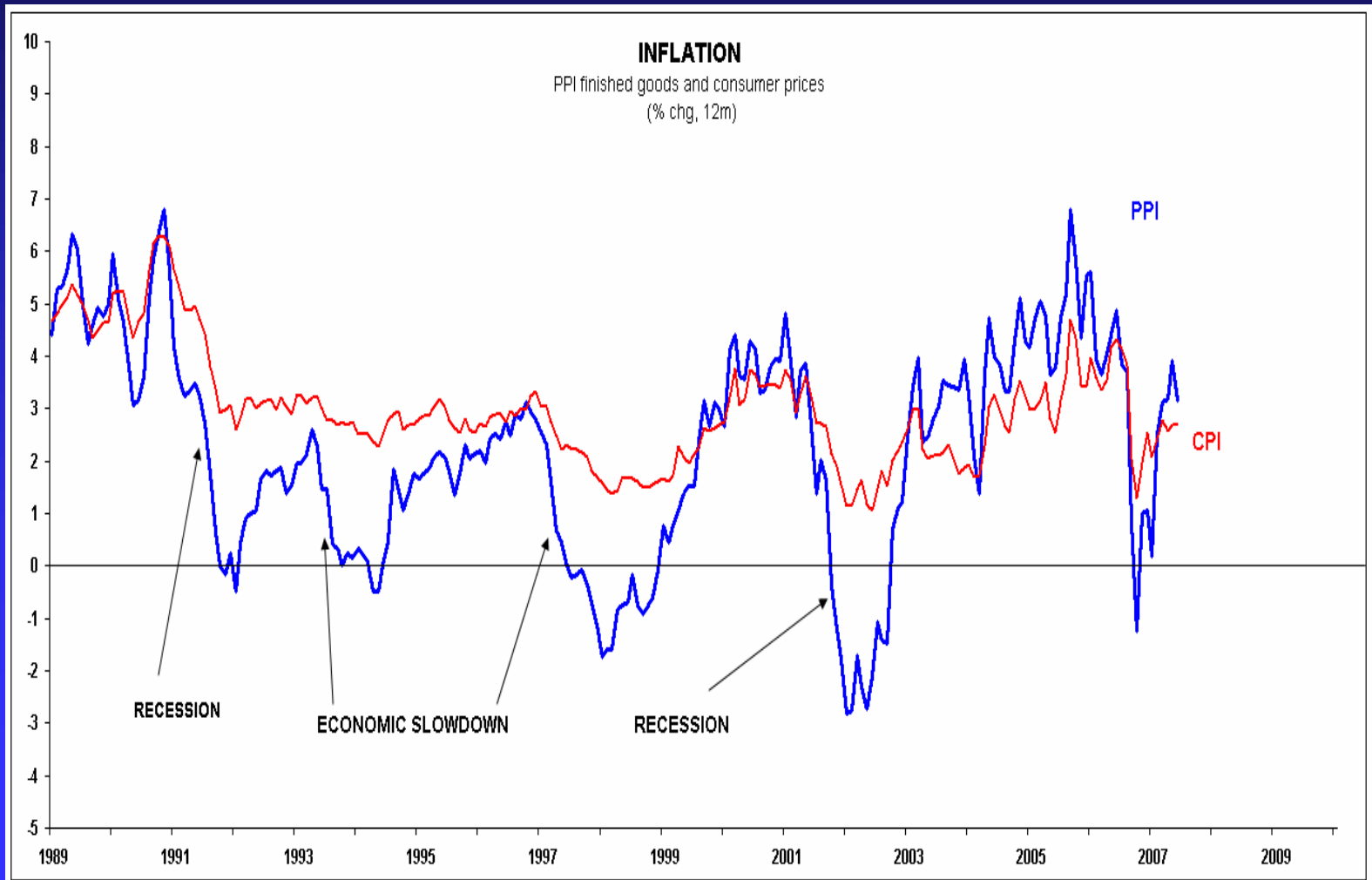
# MANUFACTURING CYCLE



# COMMODITIES ARE SOARING



# INFLATION IS AN ISSUE



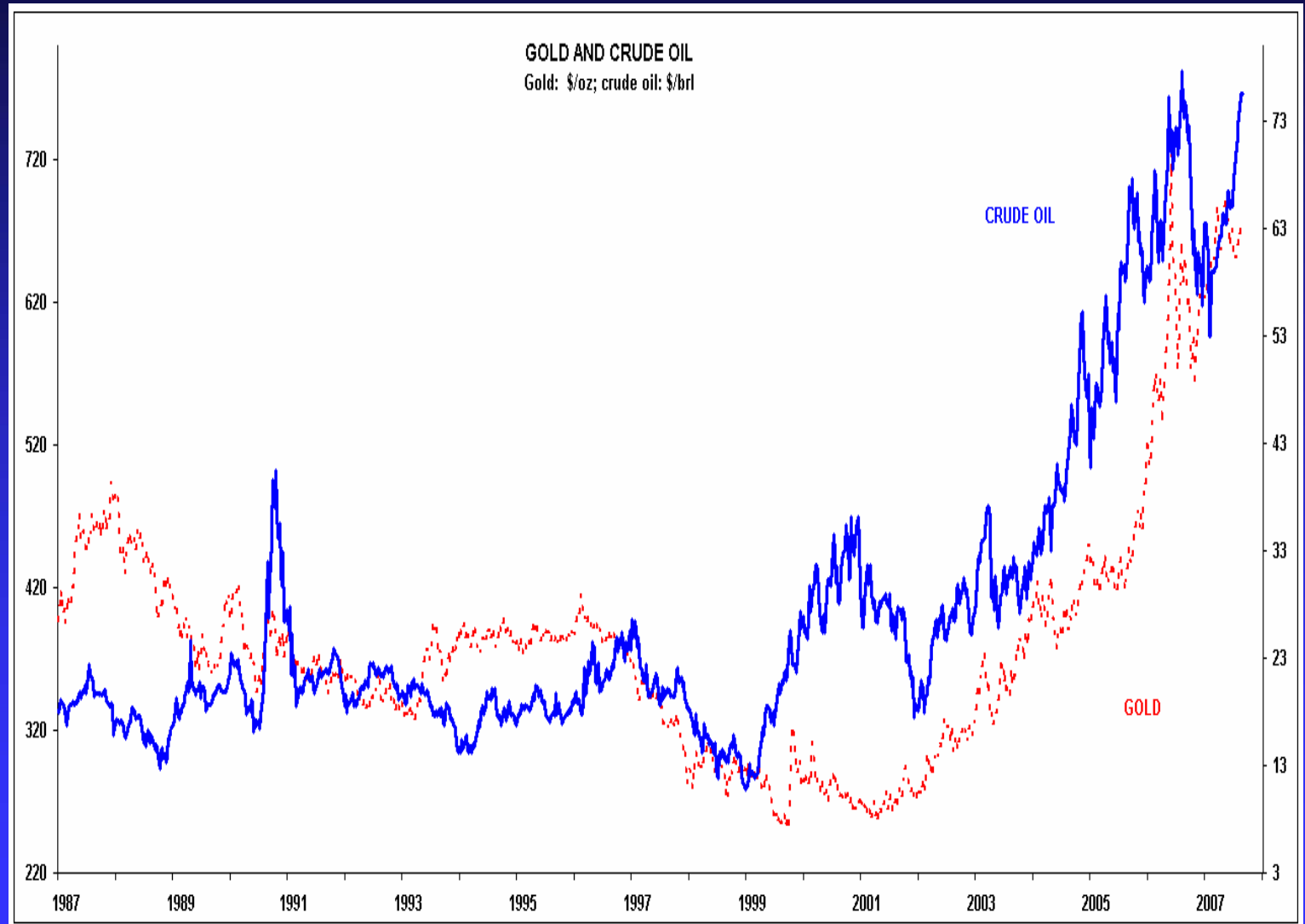
# GOLD AND INFLATION



# MAJOR LOSS OF COMPETITIVE ADVANTAGE

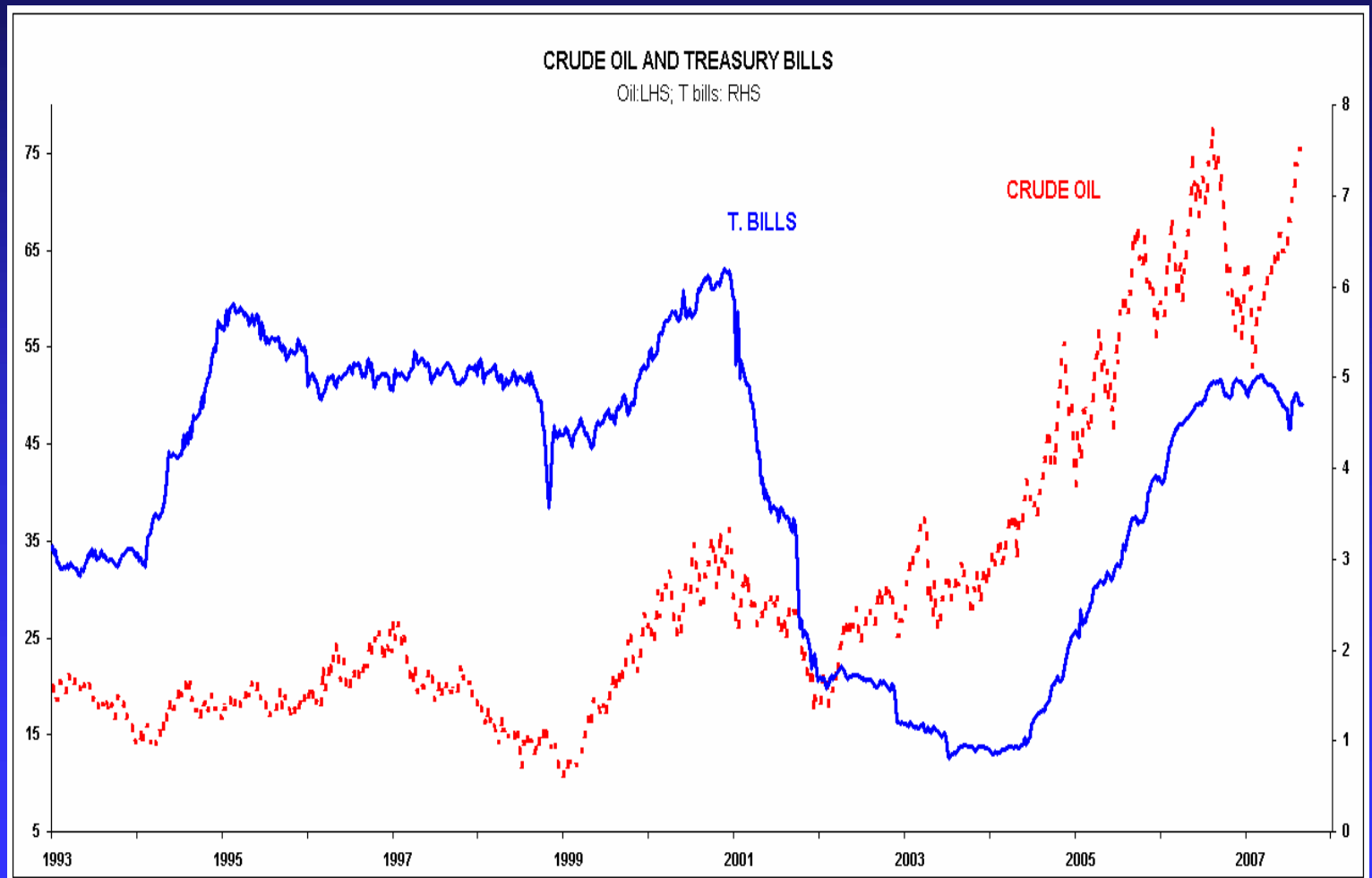


# GOLD AND OIL

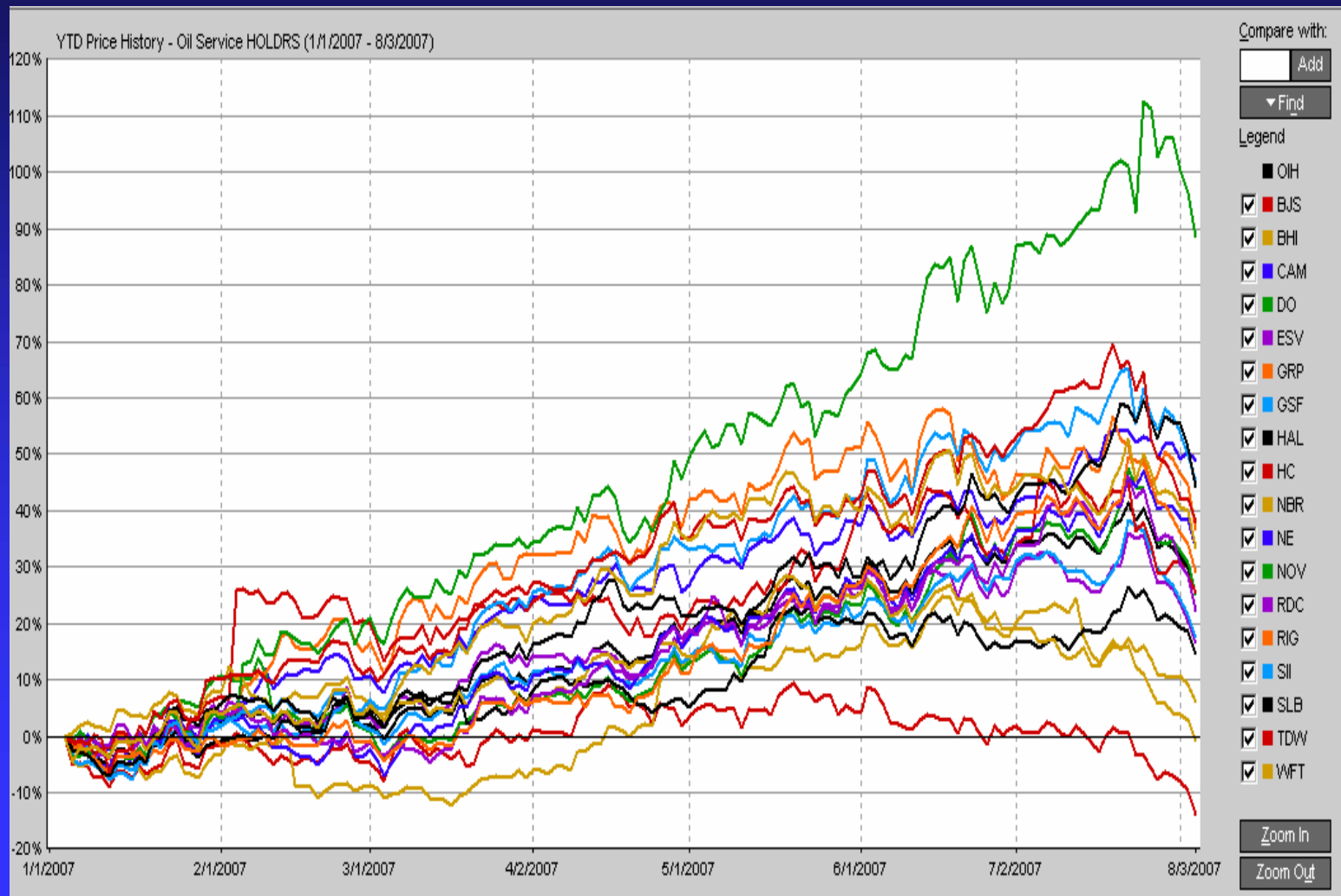




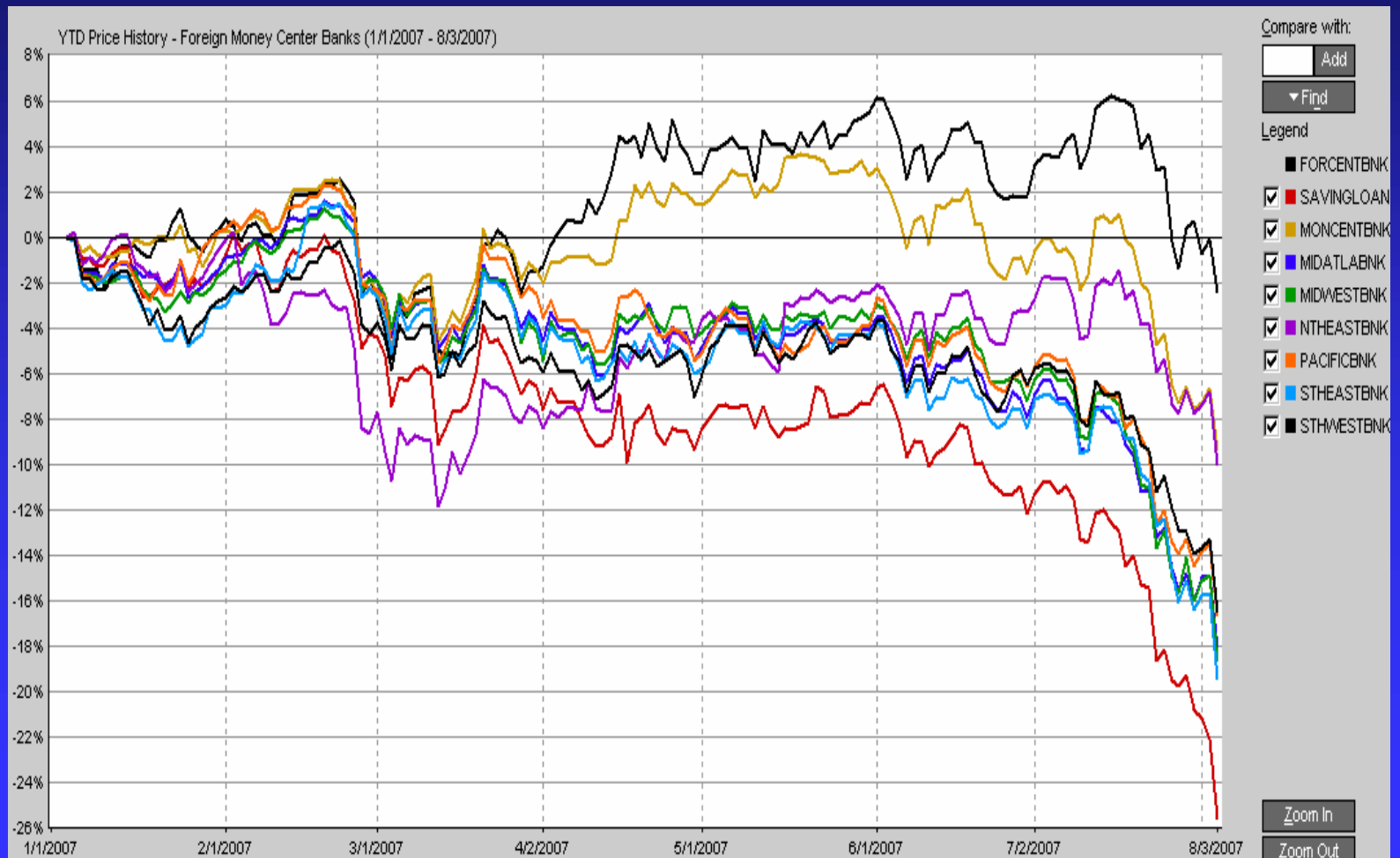
# OIL AND T. BILLS



# OIL SERVICE STOCKS: STRONG GROUP



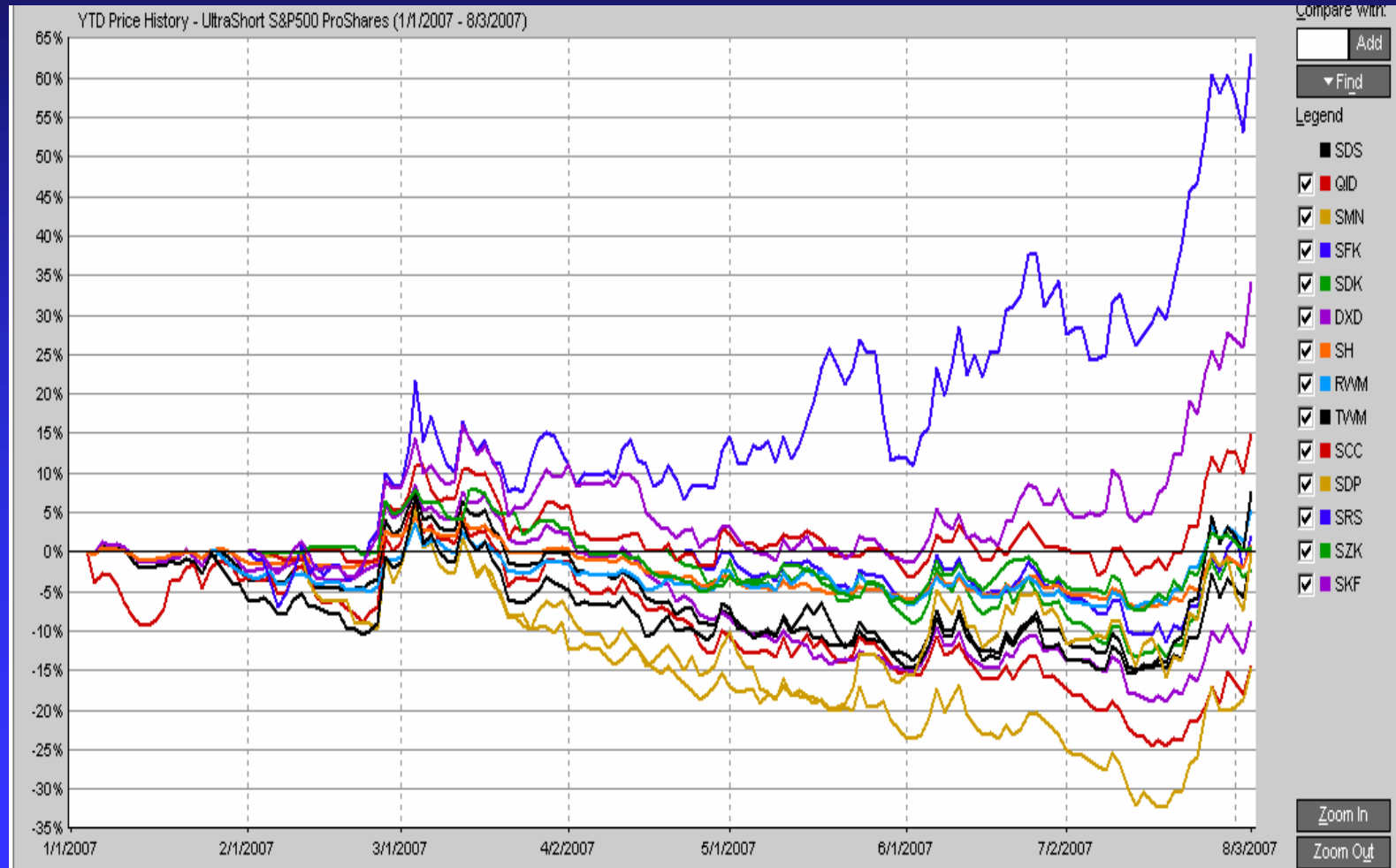
# CREDIT RISK AND FINANCIAL STOCKS



# CREDIT RISK AND HIGH YIELD FUNDS

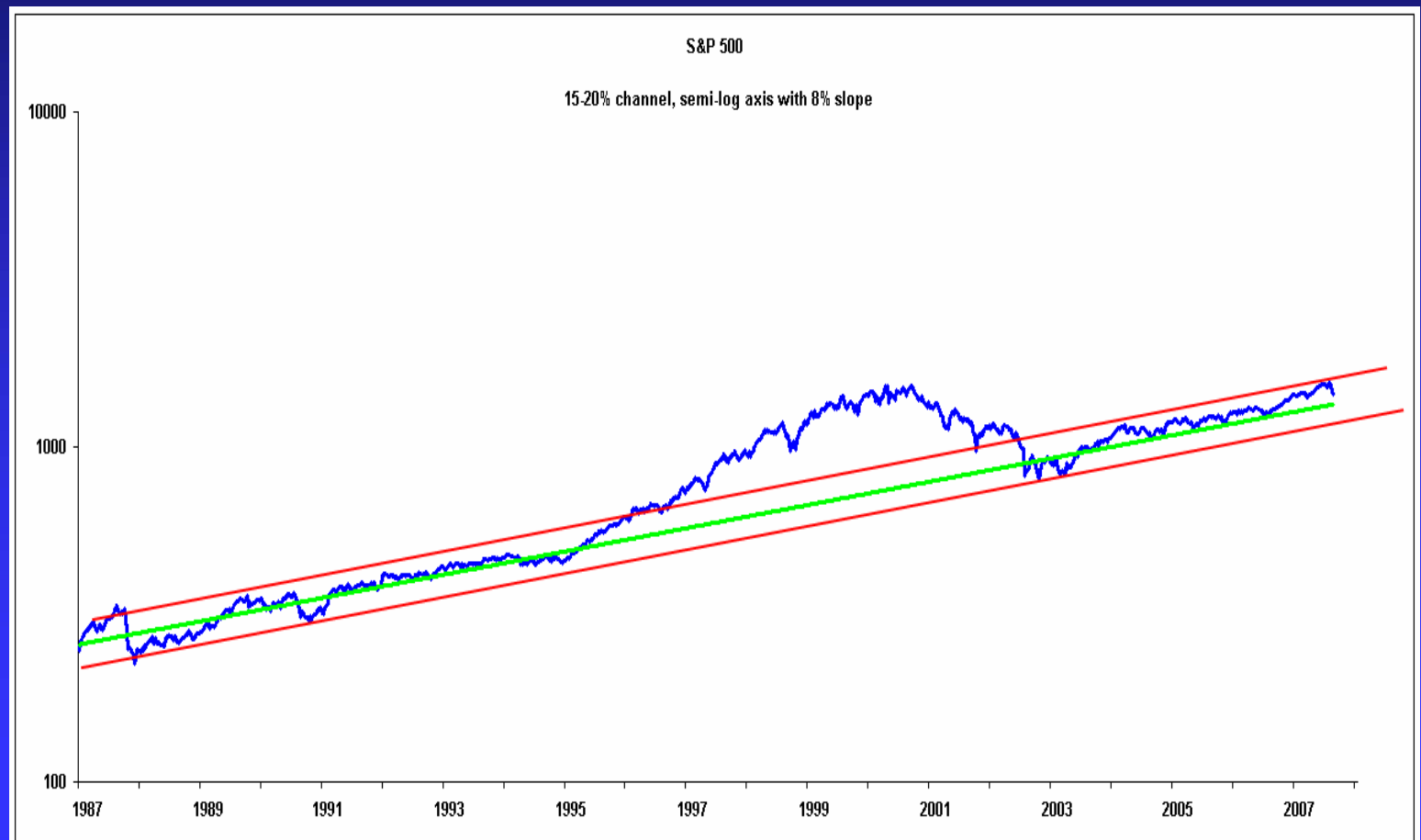


# ETFs TO USE IN DOWN MARKETS



# THE TREND: 8%

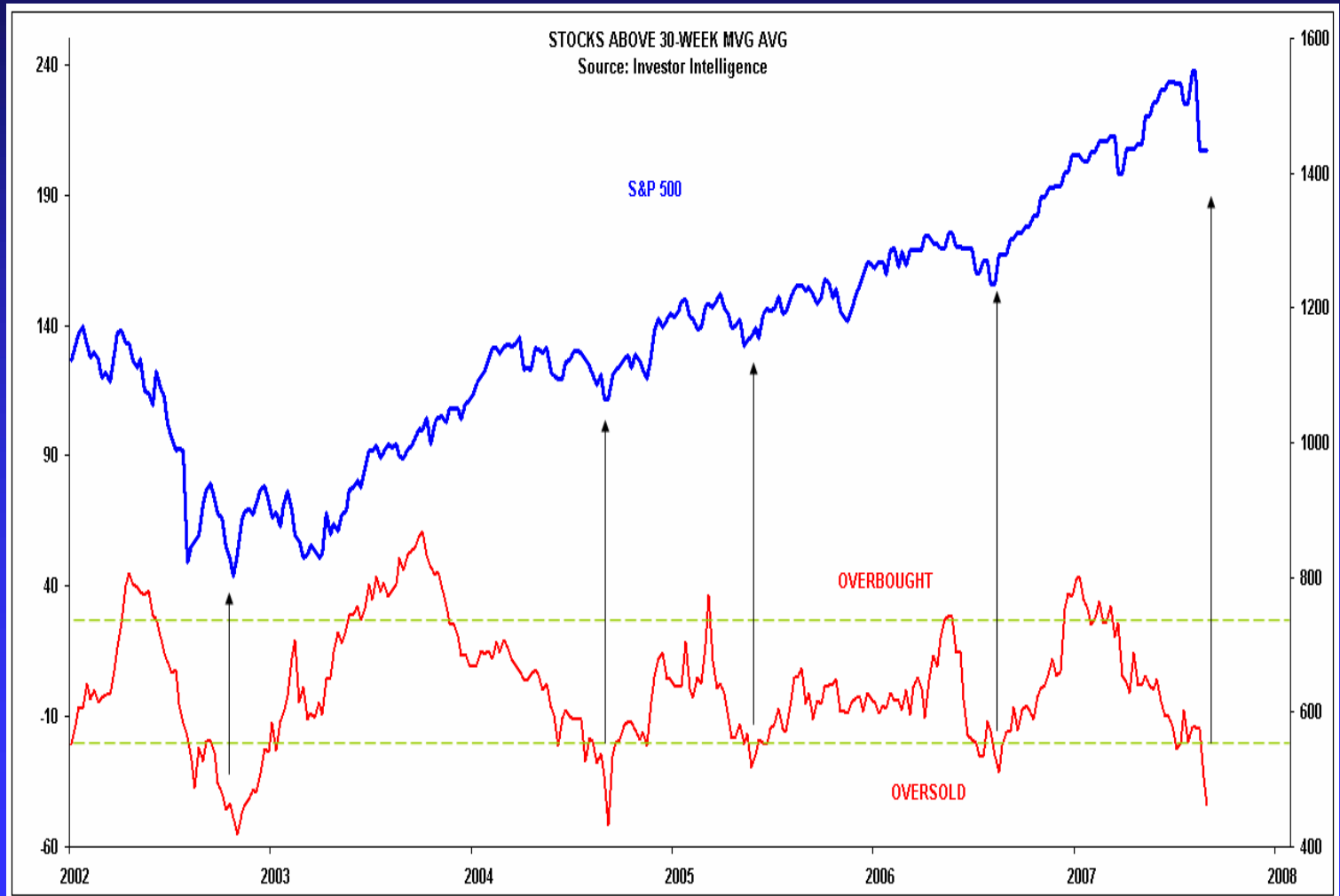
## about 20% risk on the downside



# BONDS AND STOCK PRICES



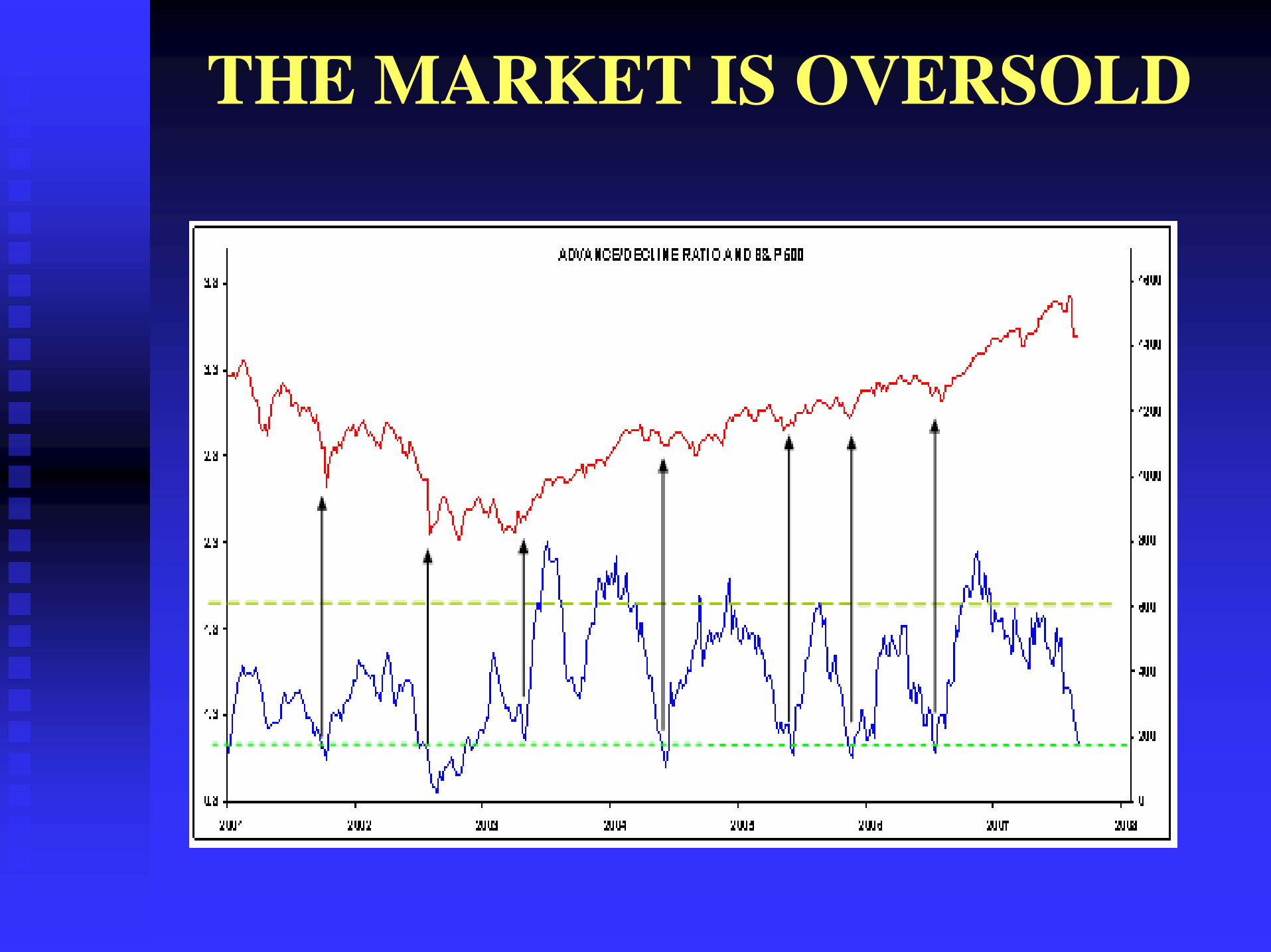
# THE MARKET IS OVERSOLD





# THE MARKET IS OVERSOLD

The chart, titled "ADVANCE/DECLINE RATIO AND S&P 500", displays two data series from 2001 to 2008. The red line represents the advance/decline ratio, and the blue line represents the S&P 500 index. The left y-axis for the red line ranges from 0.8 to 1.3, and the right y-axis for the blue line ranges from 0 to 1400. Both series show a general upward trend, with the advance/decline ratio reaching a peak of approximately 1.3 in late 2007 and the S&P 500 index reaching a peak of approximately 1400 in late 2007. Vertical arrows indicate periods of divergence between the two lines, suggesting market overvaluation or oversold conditions.

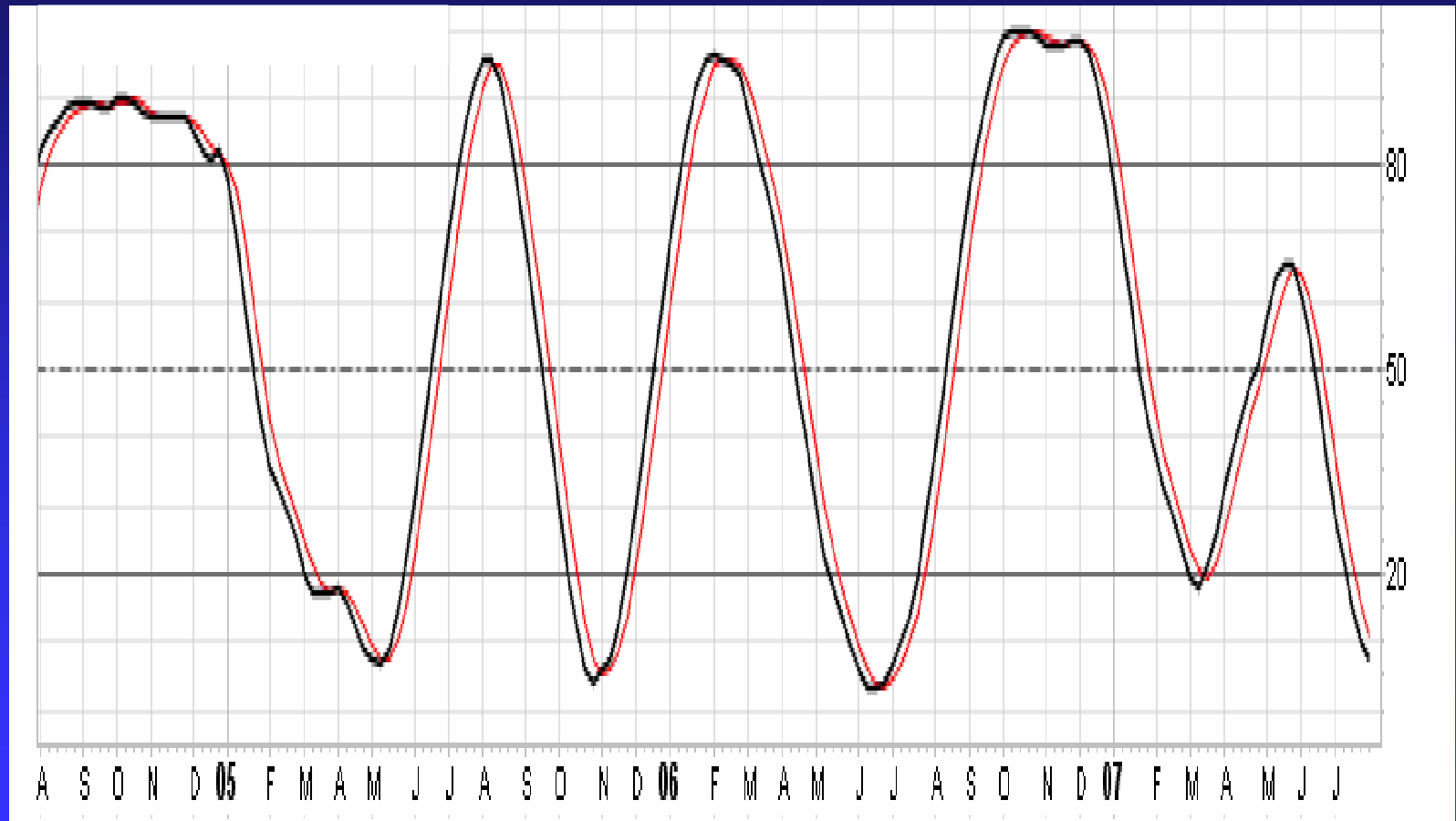


# VOLUME PATTERNS

- **RISING VOLUME WHEN THE MARKET OR A STOCK RISES**
- **RISING VOLUME WHEN THE MARKET OR A STOCK DECLINES**
- **WHAT IS HAPPENING NOW?**  
**VOLUME IS SOARING AS THE MARKET DECLINES**

# THEORY OF GAMES

## (ACTION RATHER THAN SELECTION)



# THE POINT

- ECONOMY IS GROWING SLOWLY
- STABLE S-T INTEREST RATES
- COMMODITIES ARE STRONG  
REFLECTING A WEAK DOLLAR
- WEAK BANKS=FINANCIAL RISK
- LONG-TER MARKET TREND: UP 8%
- MARKET VERY OVERSOLD
- T. BONDS OK
- COMMODITY SENSITIVE STOCKS/TECHS  
ARE THE STRONG SECTORS

# IDEAS TO KEEP IN MIND

- **DIVERSIFICATION = INDEXATION=AVERAGE PERFORMANCE**
- **AVOID ASSET CLASSES NOT IN TUNE WITH BUSINESS CYCLE**
- **INVEST IN SECTORS BENEFITTING FROM CURRENT BUSINESS CONDITIONS**
- **USE TIMING TOOLS TO KEEP FOCUSED**
- **MANAGE THE MARKET VALUE OF YOUR PORTFOLIO, NOT EACH POSITION**

# **STRONG SECTORS IN A STRONG ECONOMY**

- **ELECTRONICS**
- **METALS AND MINING**
- **CONGLOMERATES**
- **ENERGY**
- **TELECOM**
- **INTERNET**

# **STRONG SECTORS IN A WEAK ECONOMY**

- **TOBACCO**
- **HEALTH SERVICES**
- **INSURANCE**
- **BANKING**
- **REITs**
- **UTILITIES**

# WHAT DO WE LEARN IN A DOWN MARKET?

- **KEEP FOCUSED**
- **MAKE FREQUENT TRANSACTIONS**
- **SELL *SLOWLY* THE WEAKEST POSITIONS**
- **BUY *SLOWLY* THE STRONGEST POSITION**
- **LISTEN TO THE MARKETS**
- **WHEN IN DOUBT ...ACT  
(TAOIST SAY)**



**DID YOU LIKE  
THIS PRESENTATION?**

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