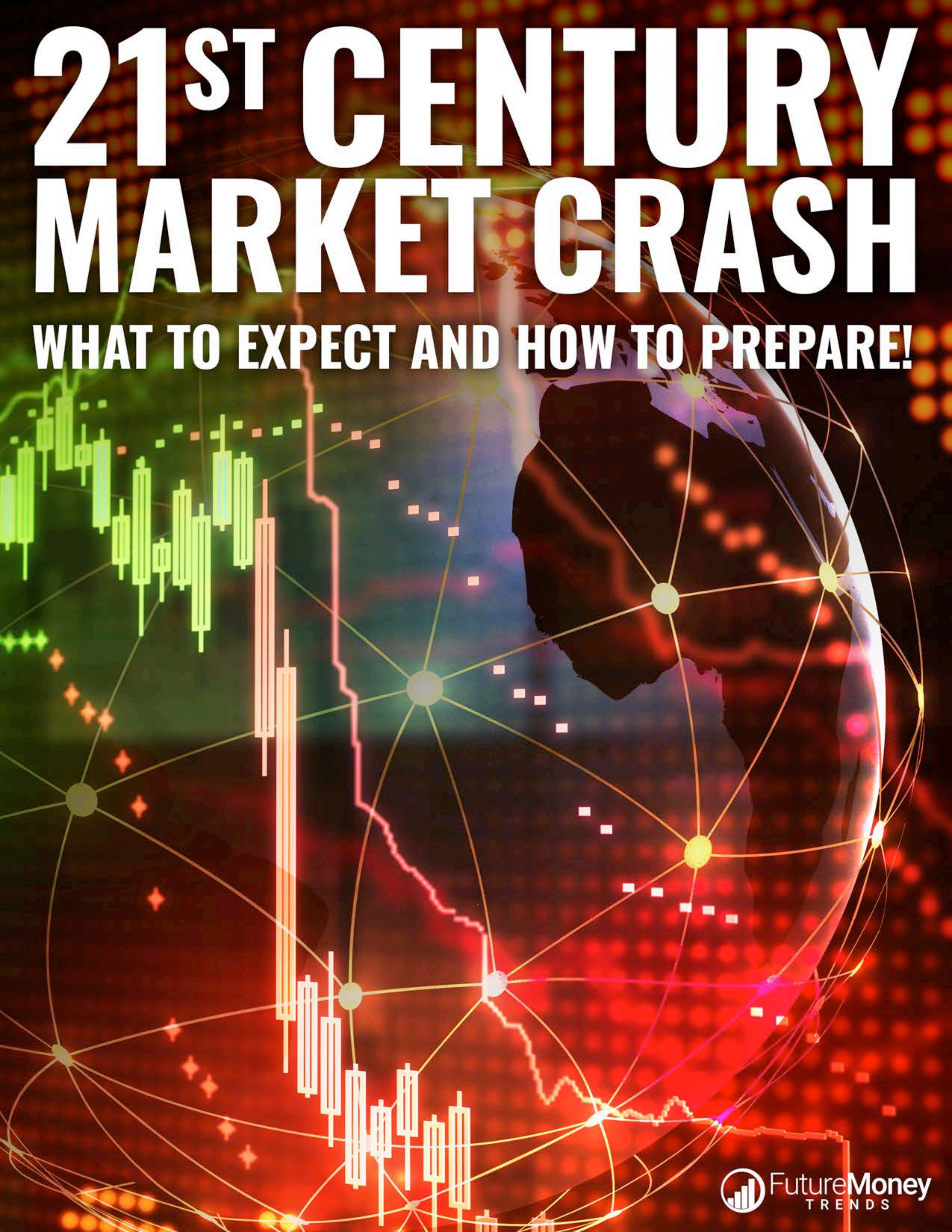
21ST CENTURY MARKET CRASH

WHAT TO EXPECT AND HOW TO PREPARE!



FutureMoney TRENDS

Toppy, shaky, volatile... There are plenty of words that I could use to describe today's stock-market environment. But no matter which words you choose to use, I hope you know that the bulls are getting exhausted and the market bears are getting hungry... very, very hungry. I mean the type of hunger where you haven't eaten in a decade.

I feel like everyone knows a 90-year-old in their lives that is smoking a pack of cigarettes on a daily basis while on a daily regimen of Coke and cheeseburgers or some variation of disregard of health. Fundamentally, many people who have lived like this for years would not have made it to 90, but there are the few that swear they are healthier than ever, and honestly, if they are 90 and eating the way they want, good for them.

When taking a look at the U.S. large-cap market, I do see a fat, overweight system that is overdue for a correction. But just like the 90-year-old pounding away on the McDonald's diet, it might not matter. In the end, we've come to find out that markets don't immediately price in whether or not things are "too high," "overextended," "exhausted," and so on.

If the markets were truly based on logic then trade tensions, rate hike fears, and elevated valuations should have tanked the markets a while ago. It turns out that the investing community is able to adapt and absorb these factors like a sponge.

No market cycles are alike, and attempting to bet on them with absolute certainty is like running out into a battlefield of arrows hoping not to be pierced.

50% MORE UPSIDE IN THE STOCK MARKET? THE CASE IS STRONG!

Because that's about how often a really bad market crash typically happens: once a decade, more or less. The last one was a doozie: the Great Recession of 2008, in which the market went down around 50% and pension plans, retirement accounts, 401(k) plans, and years' worth of savings were wiped out in a frighteningly short amount of time.

With the major U.S. stock indexes up 300% since the low point of the Great Recession, it's "obvious" that we're out of gas and the only direction from here is down – or is it? Maybe it's not so obvious after all, and the really contrarian point of view is a bullish one. Can a case be made in favor of strong, long-term upside in the stock market?

Courtesy of stockcharts.com

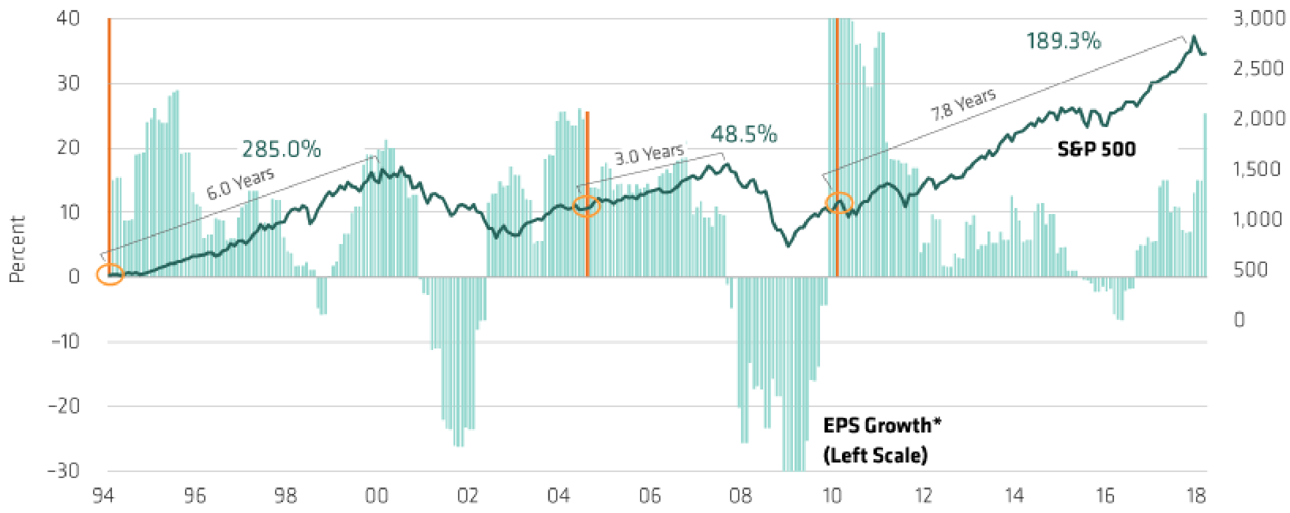
Everybody sees something different when they look at the long-term historical chart of the U.S. large-cap market. Some folks will see a market that's "too high," "overextended," "exhausted," and so on. That viewpoint is normal and perfectly understandable, assuming that market behavior is based on logic.

That's not a fair assumption, however. The stock market is really just a gigantic auction, and auctions are based on sentiment (i.e., emotions) more than anything else: herd behavior is the main driver in both bull and bear markets. Irrational exuberance, to borrow a phrase from Alan Greenspan, can persist for stunningly long spans of time.

Even beyond the exuberance, there's a tailwind to the U.S. economy and markets that will continue to push large-cap stocks higher: solid growth. As long as the majority of companies continue to churn out robust profits, investors will have an excuse to push the markets in their natural direction, which is north.

To quote David Kelly, chief global strategist for JPMorgan Funds: "The basic question everybody has to ask is, has the fundamental situation deteriorated or not?" said David Kelly, chief global strategist for JPMorgan Funds. "Unless something else goes wrong, volatility will ultimately settle down and stocks will move up."

US Stocks Have Risen Well After Earnings Growth Peaked



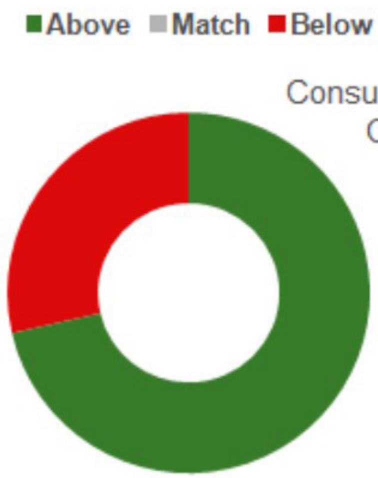
Through April 30, 2018
EPS: earnings per share
*EPS growth chart truncated at 40% and at –30% for visual clarity. In the following periods, EPS growth or contraction exceeded 40%: March 1994, 92.7%; March 2009, –66.7%; January 2010, 43.1%; February 2010, 65.5%; March 2010, 202.7%; April 2010, 49.2%; May 2010, 53.7%; June 2010, 53.4%.
Source: Bloomberg, S&P and AllianceBernstein (AB)

Courtesy of Bloomberg, S&P and AllianceBernstein (AB), seekingalpha.com

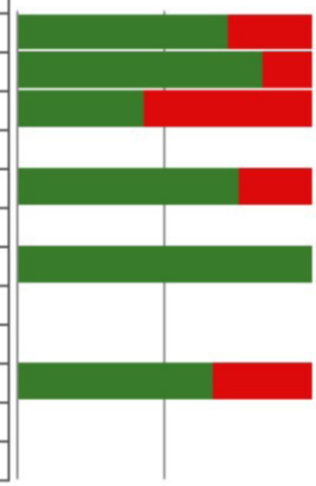
When corporate earnings growth rises, the stock market tends to follow – for a long time. Earnings growth gives money managers confidence to pile into the equities market: they figure that a long as consumers are buying whatever companies are selling, there's no reason to sell their stocks.

If anything, it's permission to buy more. Money managers have to put their clients' money somewhere, and until there's evidence that companies are doing poorly, the default investment is large-cap stocks. And for retail investors, the advent of the low-fee ETF has made it easier than ever to buy and hold the entire market all at once.

If you're wondering how companies are doing in the U.S. this year, the outlook is "so far, so good." In fact, 71.4% of companies have reported third-quarter 2018 revenue above analyst expectations; this is well above the long-term average of 60%.



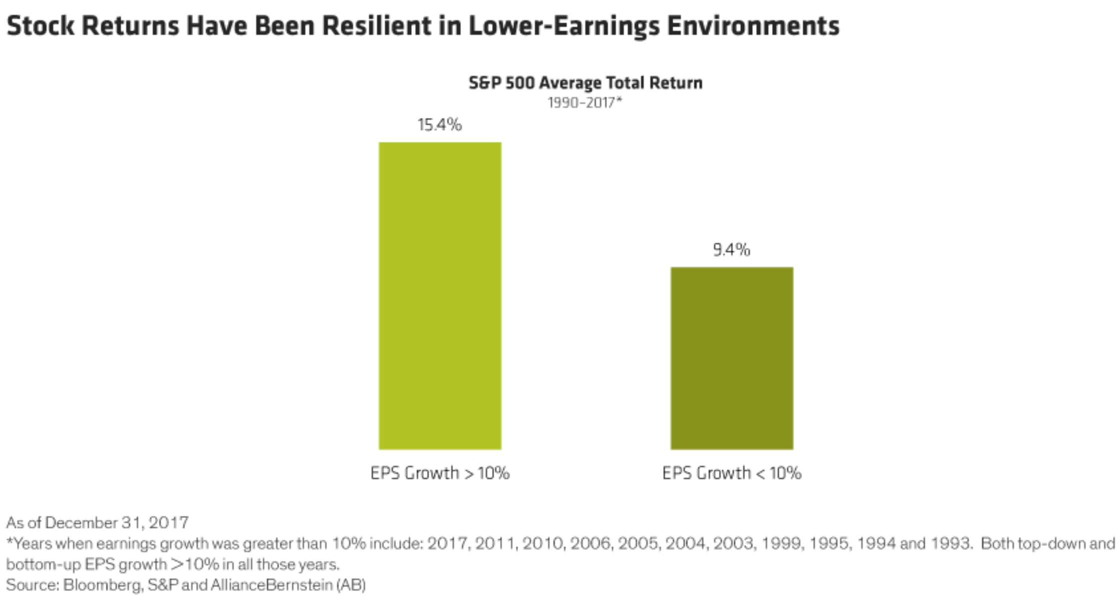
	Above	Match	Below
S&P 500	**71%**	**0%**	**29%**
Consumer Discretionary	83%	-	17%
Consumer Staples	43%	-	57%
Energy	-	-	-
Financials	75%	-	25%
Health Care	-	-	-
Industrials	100%	-	-
Materials	-	-	-
Real Estate	-	-	-
Technology	67%	-	33%
Comm. Services	-	-	-
Utilities	-	-	-



Courtesy of [Thompson Reuters]

Unless the rest of the reporting companies turn out horrible results – which is always possible, but highly unlikely – there's no reason for concern. Bull markets tend to prevail until there's a compelling reason to run for cover, and without a catalyst on the horizon, it should be "steady as she goes" until further notice.

I'll even take it a step further: a lower-earnings environment wouldn't be enough to put the ship off course at this point:



Courtesy of Bloomberg, S&P and AllianceBernstein (AB), seekingalpha.com

Even when the rate of corporate earnings growth slows down, the research shows that corporate profits still typically continue to rise for a long time. A shown in the chart above, the S&P 500 has, on average, returned 9.4% during times when annual earnings-per-share growth was less than 10%.

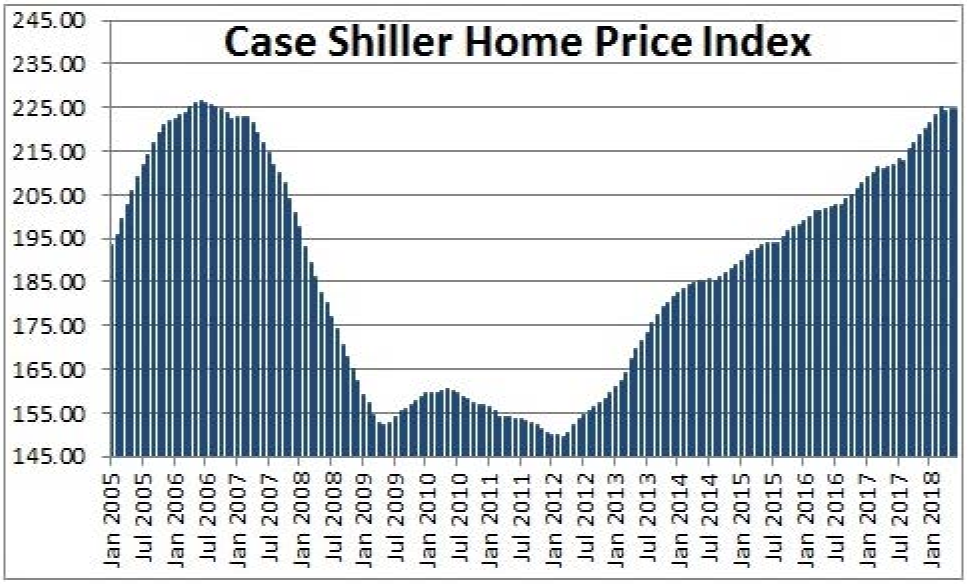
With such strong momentum to the upside and no visible catalyst on the horizon to slow it down, a price target 50% higher than current valuations is absolutely a possibility. But don't misunderstand – being possible or even probably doesn't make it a certainty. A market crash is never out of the question, and if it does take place, it will wreak havoc on every sector of the economy.

In the current environment, I see a 25%-50% crash following only after we see Dow Jones climb an additional 50% from current prices. And this will be hard hitting, don't get me wrong, but I believe we are still some time away from this...

The last time we had a market crash, there was a bailout for big banks in the form of TARP money for the likes of J.P. Morgan, Goldman Sachs, and Wells Fargo. For Main Street, however, there was no such bailout and in the heart of the Great Recession, we were left to fend for ourselves.

A market crash now has the potential to be even worse for the populace because the market has gone so much higher – and because the government has demonstrated its complete lack of compassion during times of crisis. So much money from so many retail investors is tied up in the U.S. equities markets now that a crash would take on epic proportions.

Just because the markets are likely to continue rising, doesn't mean that you shouldn't hedge your bets. People tend to have the majority of their wealth in the value of their homes, and we all remember what happened to home prices during the last crash:



Courtesy of numbernomics.com

If most of your wealth is tied up in your home and there's a crash, your financial woes will be unimaginable. There's no such thing as an isolated market crash: it's all interconnected and every sector will suffer if and when it happens.

Pension plans, a safety net for so many Americans, would be gutted just like they were during the financial crisis of 2008. In the final two quarters of 2008, America's 401(k)s and IRAs lost around $2.4 trillion; the average loss that year for workers who had been on the job for 20 years was estimated at about 25%. Most retirees and near-retirees simply couldn't bear that magnitude of financial loss.

The seemingly strong jobs market would be in tatters if a market crash were to happen right now. Government employees, already not loved by politicians (ironically enough), would be the first to get the axe, though private businesses would also be forced to lay off workers sooner or later.

And if you're hoping that the government, will save you during the next financial crisis, ask yourself this: did they bail you out the last time around? Unless you're a career politician or a fat-cat financier, I'm going to assume that the answer is no.

Courtesy of Yahoo.com

Be sure to read my Top 5 Holdings to hedge yourself in what I am conceding is a turbulent environment at FutureMoneyTrends.com/top!

No, the government will be tending to its own already unmanageable problems; don't count on them to rescue you if and when the big house of cards comes crashing down. The only true solution is self-sufficiency: at the end of the day, you'll have to rely on yourself.

Self-reliance means prudent investing: selecting and holding a diversified portfolio of assets with strong growth potential. One great place to start is with dividend stocks representing highly profitable companies from multiple sectors of the economy: take your positions, let them grow and collect dividend payments, and enjoy the powerful long-term effects of compounding.

Along with dividend stocks, it's prudent to have other streams of income, such as real estate. It's also wise to have some cash savings in reserve, not only for emergencies but in case a buying opportunity opens up in stocks or other asset classes. Precious metals ownership is also a sensible investment, both as a hedge against a market crash and for its long-term price-appreciation potential.

A bullish but cautious outlook will provide you with just the right combination of growth and protection – the key to success for your financial future.

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