

TUROV ON TIMING

“A Revolutionary Market Timing System”

Volume 13, Number 8

September 6, 2005

Learning vs. Thinking

(About the Stock Market and Everything Else)

When my son, Josh, was five years old, he and I used to spend Saturday mornings together. After a morning activity, we'd go to a restaurant for lunch, and then drive back home. We talked endlessly.

One day, as we entered the driveway and I turned off the car engine, he asked me, “Dad, what's the hardest thing in the world to understand?” I thought for a moment as I took a deep breath, and I began by saying, “This will take a few minutes, and you'll have to do some thinking along with me. OK?”

“OK.”

“What's the biggest number there is?” I asked him.

After a few seconds of thought, he answered in an unsure voice, “A million?”

I responded, “OK, so if you had a million dollars, and I gave you one dollar more, how much would you have?”

“A million and one dollars,” he answered immediately.

“And if I gave you another dollar...”

“I'd have a million and two dollars,” he responded enthusiastically.

“So once again,” I asked, “What's the biggest number there is?”

“I guess there is no biggest number. I guess numbers go on forever.”

“Right!” I exclaimed enthusiastically. “Now let's look at the opposite side of the question: What's the smallest number there is?”

“Zero?” he responded tentatively.

“Well let's think about this,” I said. “If you had absolutely no money, we'd agree that you had zero dollars, correct?”

“Correct,” he answered.

“Now let's say that there was something you really wanted to buy and it cost a dollar, and you borrowed that dollar from someone to buy it. You'd still have zero dollars, but now you'd be one dollar in debt; you'd owe one dollar. So are we agreed that the true amount of money that you'd have is no longer one dollar but minus one dollar?”

“That's right!” exclaimed Josh, obviously having fun with this mental exercise. “And if I borrowed two dollars then I'd be at minus two dollars, and if I borrowed three dollars, I'd be at minus three dollars. Is that right?”

“Absolutely right,” I confirmed. “So now that you understand what negative numbers are, let me ask you again, ‘what's the smallest number there is?’”

“Well I guess there is no smallest number, is there then?” he asked.

“Right you are, sonny boy,” I answered. “So now, let's go on to the third question: When do you think time will end?”

“Time will never end,” he blurted out, almost instinctively.

“OK,” I responded. “so if there is no largest number, and for the same reason, time has no end, and you've told me that there is no smallest number, when did time begin?”

“Well if there is no smallest number, then there must be no beginning to time,” he answered confidently.

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Performance of TOT Hotline/Email Recommendations

Using 100.00 as a base indicating “no change,” since initiation of this service on September 30, 1993 and through September 2, 2005:

<i>The Standard & Poor's 500 Index (SPX) (advance of 759.09 points @ 1218.02)</i>	265.40
TUROV ON TIMING Long Term Recommendations	-28.39
TUROV ON TIMING Short Term Recommendations	261.27
TUROV ON TIMING Daily Recommendations on a cash equivalent basis	1972.43
TUROV ON TIMING Daily Recommendations on theoretical minimum margin	9647.93

As reported on our email service, both the long and short term models are currently bearish, albeit not by much. For the ongoing status of these models, please subscribe to our daily email service. Overall, since our September 30, 1993 starting date (SPX 458.93), the short term model underperformed the market modestly during the last decade and has outperformed the market modestly this decade. The long term model has significantly underperformed the market; however it provides an important element of humility every time we get too carried away by the superb performance of our daily model recommendations which clearly have fared far better.

The daily timing model recommendations, exactly as reported on our hotline service, appear on page 3. (While space limitations require summarization, the complete daily record appears on our web site, www.DanielTurov.com, as the second option under “Turov on Timing”.) The first line on page 3 represents daily point changes in the S&P cash index (SPX). The second line represents daily point changes gained or lost, including the impact of specified leverage, had one been able to trade the SPX based on our daily trader recommendations. The SPX is an index and, as such, one cannot trade it directly. The following is presented for informational purposes only, and representations of future performance are neither made nor implied.

A graphic representation of the week-ending data from page 3 appears below. The “SPX” line is the history of the weekly closing prices of the SPX since September 30, 1993. Subject to “caveats,” an investor buying the underlying index as represented by 1 pre-split (equivalent to 2 current) futures contract would have invested the then current level of the SPX (458.93), times 500, or \$229,465. Based on September 2's closing SPX level of 1218.02, he would have earned a profit of 759.09 points, times 500, or \$379,545. In percentage terms, that is 165.40%.

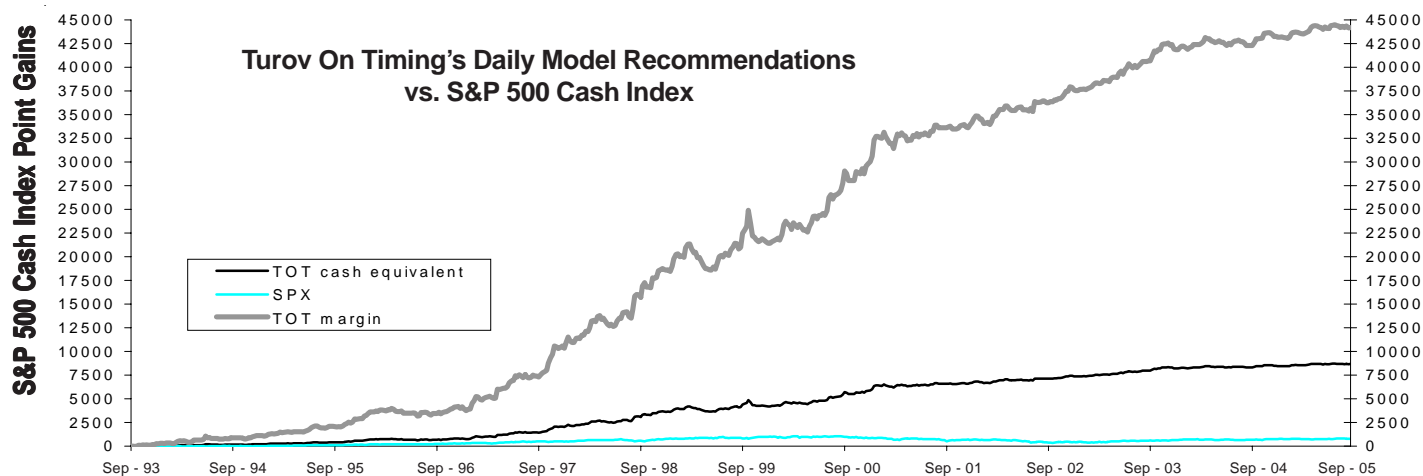
At the time we began our service, the good faith deposit (imprecisely but commonly called margin) for 1 pre-split S&P contract was \$9,000, and it can be met via the deposit of a US Treasury bill, rather than cash. Therefore, an investor with \$229,465 could have bought a \$229,465 Treasury bill with his cash, and also bought 1 pre-split contract — controlling the same \$229,465 S&P portfolio without any additional cash. He could also buy additional contracts without any additional funds. On the hotline, I never recommend buying (or selling short) more than a 500% position

(pre-split). I refer to this as a “cash equivalent” position, since at no time would additional margin have been required, even considering that the \$9,000 requirement was subsequently raised in steps to almost \$50,000 (\$25,000 X 2) and then down to its current level of \$40,000 (\$20,000 X 2). In actuality, the purchase or short sale of even a single S&P contract requires a margin account. Based on my actual hotline recommendations, such an investor, subject to “caveats,” would have earned a profit of 8593.14 cumulative points, times 500, or \$4,296,570. In percentage terms, that is 1872.43%. That is represented by the “TOT cash (equivalent)” line on the graph.

A very high risk speculator—some might even say a gambler—who wanted to take that same \$229,465 and use maximum leverage (i.e., minimum margin) could have initially controlled 25½ pre-split contracts with the same money. Subject to “caveats,” such a speculator would have earned a profit of 43,818.33 cumulative points, times 500, or \$21,909,165. In percentage terms, that is 9547.93%. This is represented by the “TOT margin” line on the graph. In reality, a speculator using such maximum leverage would have seen his returns reduced by the aforementioned increase in margin, reduced by the results of margin calls, and increased by the additional compounded leverage he would have been able to employ as his equity grew.

My advice to aggressive investors is to take a middle of the road position between TOT cash equivalent and TOT margin positions, suitable for each individual's personal risk propensity.

Caveats: (1) All recommendations are based on the Standard & Poor's cash index, not the futures. The SPX is an index and, as such, cannot be traded directly. If one could, actually executable prices would sometimes be better for the cash index and sometimes better for the futures. (2) Commissions are not included. A typical commission for each split futures contract is negotiable between about \$10 and \$50 per round trip. Based on the current S&P level, a commission of \$30.45 would represent 1/100 of 1%. (3) Buyers of securities receive dividends. Short sellers of securities pay dividends. None of our figures include the effect of dividends received or paid. However, in actuality, the interest received on Treasury bill collateral would have been higher than any dividends received. This Treasury bill interest is not included in our track record calculations. (4) **Only sophisticated, experienced and well-capitalized individuals should make trading decisions based on our recommendations.**



Daily Model Recommendation Performance

Dates	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly Total
Fourth quarter 1993 Summary.						7.52
Details appear in October 1995 issue.						50.08
Full year 1994 Summary.						-7.18
Details appear in October 1995 issue						167.94
Full year 1995 Summary						156.19
Details of first three quarters appear in October 1995 issue; fourth quarter in July 1996 issue.						356.40
Full year 1996 Summary						132.28
Details of first two quarters appear in June 1996 issue; third and fourth quarter in June 1997 issue.						196.89
Full year 1997 Summary.						227.01
Details of first quarter appear in June 1997 issue; last three quarters in February 1998 issue.						1381.56
Full year 1998 Summary.						254.35
Details appear in December 1998 issue.						1493.30
Full year 1999 Summary.						239.81
Details of first three quarters appear in October 1999 issue; fourth quarter in June 2000 issue.						544.60
Full year 2000 Summary.						-148.94
Details of first two quarters appear in October 2000 issue; last two quarters in May 2001 issue.						1804.37
Full year 2001 Summary.						-136.88
Details of first three quarters appear in October 2001 issue; fourth quarter in July 2002 issue.						801.68
First quarter 2002 Summary.						-13.63
Details appear in July 2002 issue.						191.52
Second Quarter 2002 Summary						-157.27
Details appear in July 2002 issue.						-7.50
Third Quarter 2002 Summary						-100.40
Details appear in May 2003 issue.						165.65
Fourth Quarter 2002 Summary						108.01
Details appear in May 2003 issue.						228.12
First Quarter 2003 Summary						-29.74
Details appear in November 2003 Issue						144.58
Second Quarter 2003 Summary						106.85
Details appear in November 2003 Issue						343.41
Third Quarter 2003 Summary						44.15
Details appear in November 2003 Issue						266.56
Fourth Quarter 2003 Summary						78.64
Details appear in June 2004 Issue						74.21
First Quarter 2004 Summary						33.32
Details appear in June 2004 Issue						199.88
Second Quarter 2004 Summary						-16.43
Details appear in December 2004 Issue						-150.87
Third Quarter 2004 Summary						6.12
Details appear in December 2004 Issue						128.59
Fourth Quarter 2004 Summary						80.42
Details appear in December 2004 Issue						37.21
Jan. 3-7,	-9.84	-14.03	-4.31	4.15	-1.70	-25.73
2005	0.00	-14.00	6.52	-8.30	3.40	-12.38
4-6	4.06	-7.26	4.71	-10.25	7.07	-1.67
10-14	-8.12	14.52	0.00	-27.90	14.14	-7.36
17-21	MLK	11.46	-11.35	-9.22	-7.54	-16.65
Day		-19.56	9.96	0.00	0.00	-9.60
24-28	-4.12	4.66	5.66	0.48	-3.19	3.49
Day	0.00	12.40	22.64	1.92	-12.76	24.20
Jan. 31-	9.91	8.14	3.78	-3.30	13.14	31.67
Feb. 4	39.64	32.56	11.36	0.00	0.00	83.56
7-11	-1.31	0.58	-10.31	5.02	8.29	2.27
Day	0.00	0.00	0.00	0.00	14.60	14.60
14-18	0.84	3.98	0.22	-9.59	0.84	-3.71
Day	1.96	15.92	0.88	-1.36	-11.37	6.03
21-25	President's	-17.43	6.64	9.40	11.17	9.78
Day		-40.00	0.00	-6.00	41.48	-4.52
Feb. 28-	-7.77	6.81	-0.33	0.39	11.65	10.75
March 4	-31.08	27.24	-1.64	-2.94	-4.44	-12.86
7-11	3.19	-5.88	-12.42	2.24	-9.17	-22.04
Day	0.00	0.00	0.00	-10.50	-3.50	-14.00
14-18	6.75	-9.08	-9.68	2.14	-0.56	-10.43
Day	0.00	0.00	0.00	0.00	-6.60	-6.60
21-25	-5.87	-12.07	0.82	-1.11	Good	-18.23
Friday	23.48	-4.88	0.00	0.00		18.60
March 28-	2.86	-8.92	16.05	-0.82	-7.67	1.50
April 1	-1.12	35.68	24.96	0.00	-40.00	19.52
4-8	3.20	5.27	2.68	7.07	-9.94	8.28
Day	0.00	0.00	0.00	-7.92	29.82	21.90
11-15	0.01	6.55	-13.97	-11.74	-19.43	-38.58
Day	-0.03	-21.87	32.13	35.22	33.15	78.60
18-22	3.56	6.80	-15.28	22.45	-7.83	9.50
Day	0.00	0.00	0.00	0.00	23.52	23.52
25-29	9.98	-10.36	4.64	-13.16	13.63	4.73
Day	-39.92	41.44	-18.56	52.64	-25.52	10.08
May 2-6	5.31	-0.99	14.48	-3.02	-1.28	14.50
Day	0.00	0.00	-8.30	0.00	-0.70	-9.00
9-13	7.49	-12.62	4.89	-11.75	-5.31	-17.30
Day	-13.30	0.00	0.00	0.00	0.00	-13.30
16-20	11.64	8.11	11.76	5.52	-1.80	35.23
Day	0.00	-13.20	-3.00	-6.84	5.40	-17.64
23-27	4.58	0.21	-4.06	7.61	1.16	9.50
Day	-13.88	-0.42	14.54	-32.30	-2.32	-34.38
May 30-	Memorial	-7.28	10.72	2.07	-8.27	-2.76
June 3	Day	-11.70	54.46	10.35	-4.45	48.66
6-10	1.49	-0.25	-2.59	6.26	-2.82	2.09
Day	-2.98	-25.49	0.00	0.00	0.00	-28.47
13-17	2.71	3.09	2.67	4.38	6.00	18.85
Day	-4.32	6.46	-7.64	0.00	0.00	-5.50
20-24	-0.86	-2.49	0.27	-13.15	-9.16	-25.39
Day	0.04	-1.93	0.00	32.31	27.48	57.90
June 27-	-0.88	10.88	-1.72	-8.52	3.11	2.87
July 1	2.64	-2.04	0.00	0.00	9.76	10.36
4-8	Independence	10.55	-10.05	2.93	13.99	17.42
Day	7.58	42.20	-31.96	0.00	0.00	10.24
11-15	0.00	2.77	1.08	3.21	1.42	16.06
Day	0.00	-6.42	-2.16	-11.42	0.00	-20.00
18-22	-6.79	8.22	5.85	-8.16	6.64	5.76
Day	16.94	-23.26	-2.60	23.84	-26.56	-11.64
25-29	-4.65	2.13	5.63	6.93	-9.54	0.50
Day	18.60	-8.52	-20.94	-16.84	0.00	-27.70
August	1.17	8.77	0.92	-9.18	-9.44	-7.76
1-5	3.25	-31.61	-2.76	27.54	28.32	24.74
8-12	-3.29	8.25	-2.25	8.68	-7.42	3.97
Day	9.87	-24.75	-13.86	0.00	0.00	-28.74
15-19	3.48	-14.53	0.90	-1.22	0.69	-10.68
Day	0.00	40.98	-2.70	3.66	-2.07	39.87
22-26	2.02	-4.16	-7.98	2.80	-7.29	-14.61
Day	4.92	-22.78	-24.46	5.60	-4.78	-41.50
Aug. 29-	7.18	-3.87	11.92	1.26	-3.57	12.92
Sept. 2	0.00	0.00	4.73	11.04	-10.71	5.06

9/30/03 to date change in SPX:

+ 759.09 points

9/30/03 to date TOT daily model SPX change:

+ 8593.14 points



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On January 15 and January 16, 2006, Daniel Turov (www.DanielTurov.com) will personally share two wealth-building days of easy-to-understand, entertainingly-presented, yet powerfully insightful money-making ideas with you!

SPECIAL BONUS: Join me and share the fun at my Birthday Party, the night of January 15th!

That's right: Sunday, January 15, 2006 will be my 59th birthday, and my wife's throwing a party and inviting all seminar guests to attend! That's you! The whole nine yards – Dinner, Wine, Beer, Birthday Cake – and some entertainment surprises too! And in honor of my birthday, all stock markets and official businesses will be closed the following day, Monday, January 16 (OK, so it's also Martin Luther King Day, but either way, it's not a work day for most people. But it will be our second seminar day, so easy on the wine!)

The seminar will be held from 8:30 a.m. to 5:15 p.m. each day at the Sheraton Hotel - Mission Valley; 1433 Camino del Rio South; (in sunny – even in January) San Diego, CA (local phone 619-260-0111; room reservation phone 800-325-3535). The Birthday Dinner will be at the same location on January 15 from 7:00 p.m. until 10:00 p.m.

One idea alone at this seminar could easily be worth many thousands of dollars to you. And yet, you'll receive not one, but 101 solid, meaningful ideas. The true value of this knowledge is incalculable! Yet the cost to others (not you – read on!!) will be a very nominal \$997.

YOU have been invited to this web site for a very special purpose and a very special offer. Because I want to professionally tape the entire two day seminar and create CD's from my teachings, I want to make certain the room is filled to capacity. So, as a special invitation to you, **ADMISSION IS FREE!!!!** That's right, free.

There's only one prerequisite to your free admission. Since it's essential to me that the room be filled to capacity with eager attendees so that taping is dynamic, I must require a guarantee deposit. This is simply a deposit, not an admission fee. Each person who is receiving an invitation to attend free must **CLICK HERE** to make a \$297 guaranteed-attendance deposit. There will be four sign-ins at the seminar. Simply attend all four sessions, and you will get a check for \$297 sent to you the day after the seminar ends. There are no cancellation provisions, but anyone who signs up and then is unable to attend will receive, instead, complimentary CD's of the entire seminar – and they'll be a \$497 value! (By the way, all attendees will have an opportunity to purchase the CD's at a greatly reduced price from that \$497 list.)

IMPORTANT: After I've received enough Free Reservations to fill the guaranteed-sized ballroom I've rented from the Sheraton, this offer will expire and will be removed from this web site. All attendees after that point will be charged the regular \$997 price – which is still a bargain. And this "Free Admission" offer is strictly "first come – first served." So please don't procrastinate – for both our sakes. To be guaranteed your place at this remarkable wealth building event, **CLICK HERE** now!

If you have any questions, please email me at InvestmentAdvice@aol.com and use "Seminar" in the subject line.

See you for my birthday! See you for "101 Wealth-building Secrets You Can Use Immediately to Beat the Stock Market!" See you on January 15th and 16th!

Diamonds

We've all seen the ads on TV – the beautiful young woman, the handsome young man opening up a jewel box and presenting his lady with a diamond. She's thrilled, her smile fills her whole face, they embrace in joy, and we all know what comes next. But in reality, the statistics don't bear out this scenario.

In a study of 1000 women who received a diamond brooch as a gift, 62% were, indeed, thrilled. But 5% were disappointed at how small the diamond was. 2% were annoyed because she had told her husband or boyfriend that she wanted an emerald (or other gemstone) for her birthday present. Another 2% were fearful, because the last time she got a diamond, he was having an affair. 10% (mostly married women) were apprehensive, feeling that spending so much money on a bauble when they were so much in debt was risky. And 19% were seriously confused, because she was planning to break off the relationship and this gift would make it harder to do so diplomatically.

Now before you spend too much time thinking about these specific statistics or discussing it with your spouse over dinner tonight, let me assure you that they are absolutely facetious. I made them up to make a point. Actually three points.

The first, most obvious, and least significant is that you can't always rely on statistics that you read. A lot of it is crap and is largely a function of how a data collector posed a question to his subjects. And a lot of it is a function of how the compiler of the data does the compiling. For example, current government statistics on inflation are quite modest because they measure the prices of durables and non-durables. IF they measured the incredible asset inflation currently occurring in the real estate market, the purchasing power of the dollar is diminishing substantially (and isn't that what inflation is all about?). And why do I say that this point is the "least significant"? Because in a stock market that's at least 99% efficient (all superior performance from any methodology occurring in that complementary 1%), unless you have inside information as to what the government data is going to be at any time, the data itself is irrelevant within a few moments of its being released as prices get "adjusted" by traders almost instantly.

What's really important is analyzing how the market responds to it afterwards.

The second point is that just because you have an assumption as to how the market will respond to news, there is no logical reason to believe that that assumption is correct. For example, if you had known with certainty a year ago that oil was going to hit \$65 a barrel in early August 2005, I doubt you would have come to the conclusion that major market indices would be reaching 4 year highs the same week. Likewise, with proper programming from jewelry advertisers, you probably had no problem visualizing the scenario I presented earlier with *all* of the women being thrilled. Yet, my fictitious "statistical analysis" of that gift is quite plausible. So the significance of the second point is that one should be very cautious about projecting one's own belief system on the market. Others may have very different responses.

And the third point is the one that enables me to make a living by forecasting the market better than most. Note that I always use the word "forecasting" and not "predicting". Predicting belongs in the realm of psychics, palmists, and grade B novels. Forecasting is what a good meteorologist does (and despite our griping about the weathermen's errors, they do a pretty good job).

A meteorologist will accumulate lots of data, carefully sift through it, discard what is irrelevant or extantly undecipherable, and make probability evaluations of the weather based on that data which has proven to be most useful.

In essence, that's what my daily model does. Using the jewelry example as a metaphor, it doesn't assume that 100% of women will be thrilled by the gift; it assumes that 62% will be. You could say that they jewelry data has a 62% probability of being bullish with a 38% probability of being either bearish or neutral (depending on how those other emotions are interpreted – and that interpretive issue itself requires more data analysis!).

For the purpose of the following, let's assume the jewelry metaphor data was 62% bullish, 28% bearish and 10% neutral. If this were the only factor in predicting

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Diamonds ... *continued from page 6*

the stock market for the following day, one could say the market had a 67% chance of advancing and a 33% chance of declining (allocating the neutrals equally).

But there are thousands of factors that go into what makes the market go up or down on a given day. The existence of some factors are known well in advance (like the release of government statistics) but are useless (because of the efficient nature of the market, as just described). Some occur with little notice, such as a brokerage firm upgrading or downgrading its opinion on a stock; if it occurs when the market is closed, it's pretty much useless information, but if it occurs when the market is open and you're both sharp and quick, it can be profitably traded upon. Other factors are random such as an investor dumping a block of Stock X because he wants to use the money to buy Stock Y. But there are thousands of factors that are not any of the above and from which probabilities as to future stock movement can be measured:

Days before happy holidays (e.g. Christmas) tend to advance, the influx of capital in January is often bullish, declining mutual fund inflows in August and September often make those months weak, rising New York City barometers are more bullish than falling New York City barometers as it affects people's emotions, excessive public bullishness usually leads to market declines, markets that don't respond to news developments in an expected fashion often then move in the opposite direction, etc. All of these, you probably know, and the better known a factor is the less significant it is. What the daily model does is take many hundreds of separate factors, analyses the probability that they will have a bullish or bearish impact on the market, and then exponentially weighs them by how accurate they've been recently. From that, comes the forecast.

So the next time you see a handsome man giving a beautiful woman a diamond on television, keep in mind the following: (1) when you listen to a TV analyst, realize that you are being influenced by the media which may or may not give you an accurate perspective; (2) when you hear news or receive information, realize that others may interpret it differently from you; and (3) even when you combine all of the relevant data and weigh it carefully, the result you get is not a certainty but rather a probability forecast.

Summary Outlook

Very long term (approximately 5 years): By 2010, it's possible (but by no means a certainty) that the main thrust of the 2000-? primary bear market will be over. I believe the market will be lower than it is now – possibly much lower – and it may be a decade or longer before we see S&P levels in the mid-teens again. One unknown will be how likely it will be that all the “long term” investors who get burned during the remainder of the bear market will still be chanting the dollar cost averaging mantra. Fundamentally, both the magnitude and duration of the bear market is likely to be partially a function of some unknown fundamental, such as whether Russia falls to fascism (and I still think that's a risk), whether Korea or the Mid-East or the Indian sub-continent explodes, whether Al Qaeda and its ilk can cause more terror, and whether technology can keep generating gains in worker productivity. I think there's a good chance that a bursting of the housing bubble will cause more economic hardship than most of us can imagine – but that's not an imminent danger – yet – but it's getting closer.

Long term (approximately 2 years): I believe the winter 2000 SPX market highs will hold for many years. The major determinant of the long-term bear market's pattern will not only be the factors impacting the “Very long term” above, but also whether Federal Reserve policies can prevent inflation without slowing down the recovery. Ultimately, I still believe there is a possibility of a run on the mutual funds, as described in both my January 3, 2000 *Barron's* article and in the January 2000 *Turov on Timing*. In my opinion, October 2002 marked the low for the first phase of a super bear market. We'll probably see lower lows than October 2002's before the super bear market ends, and the potential exists for the super bear market to be the nastiest since the Depression (and by some measurements, the 2000-2002 part already qualifies for that). However, I doubt that we'll see that occur within the next year (although there's a strong possibility it might occur within the next two).

Intermediate term (approximately 1 year): In February, I said, “2005 is likely to see both the highs and lows of 2004 violated.” So far in 2005, 2004's high has been exceeded. 2004's low was 1060.72. That's about 13% below current levels, and without surprising negative news, that might be a push. With such news, I do believe that will fall before this year is over. *More so than usual, uncontrollable events will call the market's precise tune.* Oil, Iraq, Iran, Israel, Palestine, not to mention those nasty places like North Korea and Pakistan, will all play their part. I'd rather be in cash than in the market right now if I had to make a single choice for the next 12 months, as risk seems higher than opportunity.

Short term (approximately 3 months): Reuters reported yesterday that “German reinsurance company Hannover Re expects Katrina... to be the most costly natural disaster in history.” At present, I simply have no opinion for the market for the next 3 months, as the economic impact of Katrina on fuel costs and consumer sentiment over the balance of the year is just too much of an unknowable factor.

Very short term: Reported by email daily.

Caveat: This commentary is based upon my investment experience and knowledge and is unrelated to my indicator models on which all specific recommendations are made. It is also unrelated to the indicators I use for actual trading decisions for discretionary accounts.

Learning ... *continued from page 1*

“You’ve now answered your own original question,” I said. “Just as there is no largest number and no end to time, there is no smallest number and no beginning to time. And that, my boy, is the hardest thing in the world to understand. The human mind simply cannot imagine time having no beginning.”

Now to the stock market connection and how it relates to the title of this article:

Children spend between one to two decades in school learning how to learn, what to learn, and regurgitating that learning back to their learned teachers on tests that judge how much they have learned. Memorize your multiplication tables, your geometry axioms, your vocabulary words, your parts of speech, the dates of important historical events, the Periodic Table of the Elements, etc., *ad nauseam*. It’s all about learning – and very little about thinking.

I’m not implying that learning is not valuable. It is extremely valuable. But it should be primarily a tool for thinking, not an end unto itself. Little five year old Josh did more serious thinking in ten minutes than most adults do in a week (and I’m probably being kind on that time comparison).

For the most part, investors make their stock market decisions based on media input, be it print, internet, or television. And 99% of media input is regurgitated learning.

For example: “Our research department believes that General Motors is undervalued and should be bought because (blah, blah, blah).” The thinking questions would include: “What does your research department know that the rest of the marketplace doesn’t know? If the marketplace doesn’t already know what your research department knows, why not? Since for every buyer there must be a seller, have you thought about why the sellers are selling? Have you thought about why they might continue to sell? Have you thought about why your average recommendations over the past decade (adjusted for beta or relative volatility) have not dramatically outperformed the market?”

Another example: “We find the market attractive because we expect earnings in the U.S. economy to advance 22% over the next twelve months.” The thinking questions would include: “What exactly is the historical statistical correlation between stock market performance and time periods of above average earnings growth? In the past when you’ve made projections of future earnings growth, how accurate have those projections been, both in absolute terms and in comparison with your peers’ projections? What is your rational basis for believing that your projections are more valid than your competitors’ projections?”

And still another example: “XYZ Corporation has just hired John Doe as its new CEO. Based upon Mr. Doe’s extraordinary achievements at ABC Corporation, we’ve set a price target for XYZ stock 50% above current levels looking out twelve

months.” The thinking questions would include (depending on whether XYZ has recently advanced or declined): “Since the day prior to XYZ’s hiring announcement, the stock has already advanced 20%. What makes you think the marketplace hasn’t already factored in its collective consensus evaluation of Mr. Doe’s significance? What makes you think that it will take twelve months to advance 50% and not six months or twenty four months, or did you just pick twelve months out of a hat? And since 50% is well above the riskless Treasury Bill rate, what do you think are the major risks to your projection going wrong?” OR: “XYZ hasn’t performed very well in the two days since Mr. Doe’s appointment. Why do you think that’s so, why do you think the marketplace is evaluating it differently from you, and what do you think it would take for the marketplace to come around to your way of thinking?”

Wouldn’t you just love to see CNBC hosts asking these type of thinking questions the next time some learned babbler mouths his inanities on the air?!

The best stock market thinkers – Marty Zweig, Yale Hirsch, Art Cashin, Peter Eliades, Earl Zazove, Ned Davis, Gerald Appel, Alexander Elder, James Altucher, Ed Thorp, Myron Scholes, and several dozen more I haven’t listed – are all precisely that – thinkers. Learn from them, and you’ll do well. If any of them offers a seminar, go to it (as I will be attending Dr. Elder’s seminar later this month).

On pages 4-5 of this issue is a reprint from www.DanielTurov.com about *my* upcoming seminar. I’ve immodestly described it as “the most unique investment seminar ever.” The primary reason is that we’re going to spend very little time with conventional learning and a lot of time on unconventional thinking. For example, along with precisely 100 other topics, I’m going to ask the audience, “Let’s assume you bought a stock at \$40 a share and now it’s \$30 a share. What should you do now?” I can think of a half dozen rational answers, some obvious and some not. But after years of thinking about the question, I think there’s only one “best” answer. We’ll talk about it at the seminar, and we’ll think about it together – and that’s the type of thinking that leads to the development of valuable, profitable ideas!

If you want to learn about stochastics, go to Google, and you’ll find about 329,000 entries. MACD? 639,000 entries. Put call ratio? 4,090,000 entries. Specialist short selling? 1,210,000 entries. Technical analysis? 75,100,000 entries. Price Earnings multiple? 1,800,000 entries. So if you want to *learn* about the stock market, you don’t need my seminar; stay in your living room and surf the web.

But if *thinking* about the stock market so that you can outperform it excites you, then by all means join me at my seminar where we will *think* together, explore new concepts and new ways of thinking about the stock market – as a mental challenge, and for fun, and for greater profits.

To register for the seminar, please go to <http://www.danielturov.com/seminars.htm>