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Today's 'Stock Traders and Investors Free Weekly Wrap' Article is based on an EXTRACT from our recent Edition 374 of the Mentoring style '*Investing & Online Trading'* Newsletter

1. New! Jim Berg Across Australia

With both the USA and ASX markets now trending upwards, Jim will host a new series of '***Evening With Jim Berg'*** seminars in October and November on ***'How to Trade with Weight-of-Evidence'*** - so now you can find out more on how to use his common sense approach and take full advantage of the current market.

Jim's upcoming Evening Seminar dates are as follows:

1. **Sydney:** Monday 29 October
2. **Brisbane:** Tuesday 30 October
3. **Melbourne:** Thursday 8 November
4. **Perth:** Tuesday 13 November

All attendees will receive a FREE Bonus copy of Jim's Guide *'The Stock Trading Handbook' and the 4 most recent complete Editions of our Newsletter.*

Also available: ***savings of $40 per seat.***

As Jim will be encouraging questions and interaction during his evening seminars, we have limited the number of seats available at each location.

To secure your seat or to discover more, **Click Here Now >>>**

2.Your FREE `*Harsh Reality'* Report

Protection of capital and profits is a *vital key to your long term survival and profitability* in the market.

A simple, yet highly effective, method to outperform was highlighted in ***'Why Retirement May No Longer be an Option*** *– The Harsh Reality Fund Managers Do Not Want You to Know'.*

It is now available as a ***Special Free Report*** which you can download easily by '*liking*' us first at our new Facebook page:

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3. Special Feature: Bulls vs. Bears -"The Big Tug"?

Disclaimer: The opinions and views on events, market direction and price targets provided by others in this newsletter are not necessarily shared by ShareTradingEducation.com.

On Thursday 6 September …the Dow and S&P 500 posted their largest one-day percentage gain since June 29, after European Central Bank President Mario Draghi followed up on his promise to protect the euro and outlined a large bond-buying plan."

A week later, on Thursday 13 September, the USA market soared after Benanke's announcement that the Fed will purchase up to $40b worth of securities a month and continue until they see improvement in the underlying economy.

Market prices continually fluctuate at any time from both the macro (e.g. weekly/monthly charts) through to the micro (one/five minute intraday charts) scales due to the on-going battle between the '*Bears*' (who expect prices to **fall**) and the '*Bulls*' (who expect prices to **rise**).

As **this week's 'Article of the Week'** we feature not one, but two articles with completely opposing points of view to demonstrate just how strong the current battle between the Bulls and Bears is and hence how finely balanced the market is right now:

3.1 The Bears' View: "*When Money Dies*"

On Tuesday 18 September, Futures Trader Larry Levin drew our attention to the latest 'missive' from Nomura analyst Bob Janjuah, partially reprinted below:

' Before providing an update I wanted to refer readers to two items – which may in turn "give away" my thoughts "post-OMT" and "post-QE Infinity". First, readers may wish to reconsider a piece I wrote earlier this year in February entitled "Bob's World: Monetary Anarchy" (20 February). Secondly – and much more interesting in my opinion – all readers are urged to read the book '*When Money Dies'* by Adam Fergusson.

In terms of my thoughts, I think historically important events may be unfolding. I think that by their actions both Fed Chairman Bernanke and ECB President Draghi may have belied how deeply worried they are about our economies and the financial system. In short, I see fear in their actions. But what really concerns me is that their only responses are to effectively say "*we give up*", as they abandon the search for "*real*" solutions to our ills.

Instead, by their actions, we can now clearly see that the only solutions that are offered by the Fed and the ECB are the extension of the same failed policies that got us into our financial and economic despair in the first place. Namely MORE debt, MORE bubbles and MORE monetary debasement.

When future historians look back for the day that the West lost its status as global economic superpower, and for the day that the West lost its aspirational leadership in terms of sound economic and prudent financial system management, I feel that September 2012 may be seen as a significant pivot point.

Turning to a few specifics:

1 – Politics: Both Draghi and Bernanke now seem to have deeply and irrevocably immersed themselves into the realm of politics. A review of Draghi's speech made on the evening of 6 September seems to show, in my view, that he is deeply political and is prepared to use the ECB to further his own political agenda of a federal Europe. As for Bernanke, whilst he may not be so explicit, he will surely realise that his actions are likely to impact voters in the US elections in November.

History tells us that politics and central banking should never be allowed to co-mingle. The results when this has been allowed to fester have usually been very undesirable. In my view, we have crossed a critical Rubicon here.

My biggest fear now in this respect is that in Europe the (mostly) elected political leadership will – when it comes to delivering fiscal union – fail to follow through, and/or the people of Europe will refuse to co-operate in the Draghi-mandated push for federalism and fiscal union.

And in the US, if Bernanke's actions are perceived by Republicans to secure Obama a new four-year term, I see it as now highly likely that the fiscal cliff will become a full-on reality rather than just a thing we worry about. After all, a Republican Congress will have little to lose and lots to gain potentially by triggering a fiscal crisis IF they conclude that Bernanke has become a political servant of the Democrats.

2 – Growth and inflation: Lest we forget, neither QE, nor the LTRO, nor the OMT either have, or will, do anything sustainably positive for growth. The evidence of the last four years is clear. In fact, all I think we are likely to end up with is WEAKER growth as consumers are forced to save more and as they see their disposable real incomes fall. The idea that consumers and/or corporates will now go on a leverage and consumption/investment/spending binge is based on nothing other than hope – I actually expect the opposite to occur.

The emerging world will be forced to TIGHTEN policy as the globally traded prices of food, energy and other commodities will serve to generate real and significant inflation in these nations. These higher "headline" prices (in non-discretionary items) will – in the West – cause growth to weaken as (discretionary) demand will take the hit; Western workers have zero pricing power and aggregate employment in the West will not improve largely because QE and OMT do nothing to generate global demand. Some might feel that a weaker USD will benefit US exports.

Here one should not forget that the West is and has for the last five years been in a race to zero when it comes to currency strength. USD weakness will not be tolerated for long by the rest of the world, hence any US "gains" would be purely temporary.

One major lesson of the last five years has been forgotten, or indeed rewritten. The recovery from the 2008-09 collapse was NOT primarily caused by QE1. The real drivers were TARP (real fiscal loosening) and the USD4trn fiscal and bank-financed investment binge seen in China from late 2008. I think it is crucial to remember this when the Fed in particular is "judged" over the next few months.

3 – Credibility: Central bankers who lose credibility are a major problem. I will leave it for others to judge, but the success of central bank policy over the last four to five years when it comes to creating jobs, boosting real demand and improving Western worker competitiveness is, frankly, paper-thin.

In fact, the opposite is easier to prove. I see nothing in this latest and most dangerous round of monetary anarchy that will reverse the process of deflationary debt deleveraging, other than a short-term impact on the pace of deleveraging, and whilst QE and OMT have and will boost asset prices, this is again a very short-term outcome, but possibly at a truly enormous cost.

Further, specifically in terms of the Fed and QE infinity, I am deeply worried that what Bernanke is now de facto saying is that the real underlying economic and jobs situation is much worse than we all think, that he has no idea how bad or for how long this situation will get or will last, and that as a result the only tool left is a permanently open monetary spigot. Anyone who carefully considers his actions will, I think, end up as concerned as me.

Regarding the promise to keep rates lower for longer I can only conclude that either (a) this policy will succeed and so result in enormous inflation (eventually) based on the explosion in M0 and based on the Fed's 30-year track record of failing to take away the punchbowl before it's way too late, which will trigger the next collapse; or (b) the policy will not succeed (my base case).

Either way, the Bernanke Fed, which helped cause the US housing bubble, then helped cause its collapse, who first told the world there was no housing bubble, who then told us that all we had a minor USD20bn-odd sub-prime problem, who went on to tell us that QE was a temporary emergency policy that would be soon reversed, and who persists in telling us that QE will help deliver millions of jobs and will bring us back to pre-crisis levels of trend growth (above 3%!)

He does after all keep telling us the problem is cyclical and not structural! – is now very much in the Last Chance Saloon. Markets and political leaders, and the US people, may well judge Bernanke in an extremely negative way over the next few months if this latest huge gambit fails.

4 – Demographics and Behaviour: These are areas which get little focus in financial markets and with policymakers, who are both generally always looking for instant gratification and doing anything to avoid the reality that money debasement solves very little in the short run and creates huge problems in the long run. But I think they matter. The demographics in the US, in Europe and in China are, at least for the next few years, very negative (i.e., rapidly ageing).

Ageing populations grow slowly. They save more, they spend less, and they do not go on debt-funded consumption binges. If consumption is weak, if uncertainty is high, if fiscal policy is having to be tightened and if global central bank policy settings are already at such historically emergency settings, I find it extremely hard to understand why any CEO/CFO will feel that now is the time to lever up, to invest, to hire, or to grow. If I am right about the private sector response, then Bernanke and Draghi will have to imagine up new justifications for their actions at the very least!

"The bottom line is simple: The Fed and the ECB are directing and attempting to orchestrate the grossest misallocation and mispricing of capital in the history of mankind. Their problem is that their actions have enormous unintended and even (eventually) intended consequences which serve to negate their actions in the shorter run, and which could create even bigger problems than we currently face in the near future. Kicking the can is not a viable policy for us now. The private sector knows all this, consciously and/or sub-consciously, which is why I feel these current policy settings are doomed to fail.

Having said all that, the one area which for some reason still holds onto hope that Draghi and Bernanke can still perform feats of "*magic*" is the financial market, which central bankers assume, rely on and are happy to encourage Pavlovian responses. The reality here though is that even financial markets are, collectively, either sensing or assigning a half-life to the *"positives*" of central bank debasement policies, which to me means that even markets are only suggesting a short-term benefit from the latest policy actions.

This is not what Draghi and Bernanke are hoping for, but in order for them to see the half-life outcome averted they know that we need to see major political and structural real economy reforms which somehow make Western workers competitive and hopeful again. The track record of the last four to five years inspires very little confidence that we will see such great necessary reformist strides taken anytime soon.'

2.2 The Bulls' View: "*On the Cusp of a New Bull Market*"

Howard Gold, in his '*No Nonsense Investing'* article on Marketwatch on Friday 21st September, wrote:

' As some major market indexes have moved closer to their all-time highs, several market gurus are starting to think the unthinkable: We may be entering a new secular bull market.

That's a bull market that could take the averages much, much higher over several years. Think 1982 to 2000. It would mean a definitive end to the secular bear market that has haunted us since 2000, producing a "lost decade" and maybe a lost generation of investors.

And if you're shaking your heads in disbelief, that only clinches it for these bulls: Your doubt and downright hostility towards stocks is building a wall of worry like the chamber of molten rock and magma that grows and grows before a volcano explodes.
Read Gold's analysis on why investors have no confidence in the market in MoneyShow.com.

Two of the three I spoke with — Mark Arbeter of Standard & Poor's Capital IQ and Craig Johnson of Piper Jaffray — are technicians. The third, Jim Paulsen of Wells Capital Management, is a fundamentally oriented bull of long standing. But they all believe we could be on the verge of a major move higher.

"*The technical conditions are ripe for the end to the secular bear and a new secular bull emerging*," Arbeter told me. "*This is not a one-year, two-year run. This is a multiple-year run,"* said Johnson, who thinks stocks are poised to hit all-time highs soon. "*I think it's going to be a multiyear recovery*," agreed Paulsen.

Why? Because the fundamentals are better than most people believe. "*I think the great bulk of this move has been about fundamentals rather than the [Federal Reserve],"* he told me. "*I think the economy has begun to reaccelerate*."

He reeled off stat after stat to back that up: This year unemployment has declined at the fastest rate since the recovery began; individuals are re-entering the labor force in ever-greater numbers; consumer confidence has hit a five-year high; automobile sales are surging; housing is beginning to recover, and bank lending is picking up.

"*In many ways, the U.S. recovery is gearing on more cylinders than ever,"* he wrote recently. "*Its character today is far more mature, more broadly based and therefore far less vulnerable to external shocks than at any time since the recession ended*." Read how Mitt Romney can really address dependency on government in The Independent Agenda.

He also said the current stock market rally, which began in March 2009 and has taken the S&P 500 (SPX) 120% higher is the "*best performing stock market recovery cycle of the entire post-war era*" and yet at around 14x 2012 estimated earnings, the S&P 500 is still relatively cheap.

"*If inflation stays moderate, we'll move to a valuation in the upper teens*," he told me. Given 4% to 5% average annual earnings growth for the next five years, 18x $125 a share would put the S&P above 2000 within five years. He's looking for it to hit 1500 this year.

Arbeter and Jackson also see the S&P reaching new highs soon — as some small and mid-cap indexes already have done. *"I think the market is telling us the fundamentals are going to get better over the next couple of years*," Arbeter told me.

He's particularly pleased the S&P broke through 1440, and "*there's not a lot of chart resistance [above that*]," he said. "*I think we can get near or top the old highs in the first quarter of 2013*." That would take us to 1565, and he believes the market could get to 1800-2000 over the next couple of years.

So does Craig Johnson of Piper Jaffray, who cites poor investor sentiment as a big reason."*We've been 12 years in a secular bear market*," he told me. *"Right now, the psychology of this market is so depressed. People can't engage*." Indeed, investors have plowed over $1 trillion into bond mutual funds over the past five years and yanked $500 billion out of US stock funds during the same period. People distrust the market and despise stocks. *"This is the most hated or unloved rally I can remember. The sentiment conditions are ready for a much bigger move than many people expect*," Arbeter agreed.

What could be the spark? People getting tired of earning nothing from Treasurys or money market funds, forcing them to take more risk and move into equities (which is what Federal Reserve Chairman Ben Bernanke wants.) "*The other big thing that can really get equities moving is that people sense a danger in the bond market and there will be a transfer into equities*," said Johnson.

Paulsen worries that the Fed's new "*shock and awe*" policies may be overkill, raising the specter of inflation, the ultimate rally killer. And he's looking for a nice correction as the market approaches its previous all-time highs.

Also, next year's second quarter is historically one of the weakest in the four-year presidential cycle. Read Gold's take on why stocks should do well through the election and into next year in MoneyShow.com.

With the fiscal cliff looming and war clouds gathering in the Persian Gulf, stocks could indeed face a short-term selloff.

But if these three are right — and I'm keeping a moderate stock allocation on the chance they are — a short-term selloff is all we'll see. Mr. Market, that master of surprises, could be getting ready to fool us again.

Who will win? Will the world's economy crash or will there be a major bull market from here? We do not make predictions in this Newsletter. We simply follow the Rules.

As Jim Berg wrote when he reopened the Portfolio in Edition 372 "…*equities markets might be setting up for another 'perfect storm' but we do not trade what we think or feel or what 'might' happen. We trade the path of least resistance and buying equities in a rising trend is what we do."*

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Deepak Ganga, Australia

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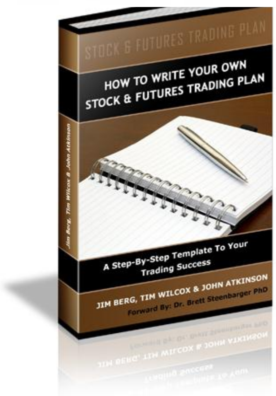

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" What happens, happens.
HOW we react and what we
DO about it is our choice.

It's never the size of the problem,
it's the size of us that counts!"

Peter Durrant, *GKR Karate Instructor, Sydney*

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