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Your Financial Independence is at the Heart of Everything We Teach

**Today's Stock Traders' and Investors' Complimentary Wrap is based on an EXTRACT from Edition 494 of our Mentoring style 'Investing & Online Trading' Stock Market Report**



## Your Invitation to an Evening\* with Jim Berg on 'How to Trade & Invest with 'Weight-of-Evidence'

- ✚ **Brisbane** (2 March)

✚ **Surfers Paradise** (3 March)
- ✚ **Sydney** (17 March) and

✚ **Melbourne** (18 March)

(\* These are Jim's only ShareTradingEducation.com evening seminars planned for 2015)

Attendees at previous events have described Jim's seminars as being like a 'mini-Boot Camp'. Why? Because Jim pours out so much valuable content in one evening.

Jim's 2015 evening seminars will be an excellent opportunity for you to:

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- ✓ Ask your questions directly to Jim
- ✓ Hear Jim's latest view on the market and shares of interest to you at that time
- ✓ Take home a list of shares for you to watch for prospective entry signals

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2. How to use Exchange Traded Funds (ETFs) in rising and falling markets

Jim Berg always prefers to limit the number of attendees at his seminars so that he can interact closely with you and others in his audience.

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# Stock Market Risk is Higher Today than it was in the Dot-Com Era

**By Mark Hulbert**

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Mark Hulbert has been tracking the advice of more than 160 financial newsletters since 1980. On Friday 9 January Mark [wrote](#)

*Risk-taking rises and falls with the market, which is why you should be worried right now*

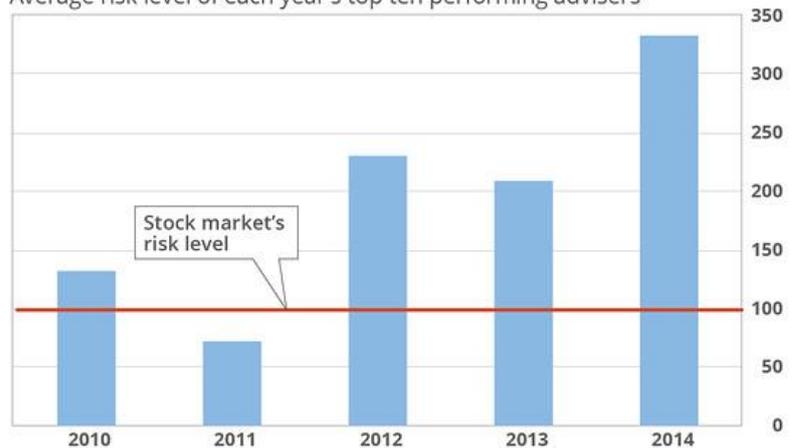
The risk of a major bear market in stocks is now higher than it's been in years.

That, at least, is the message of an indicator that keys off the amount of risk incurred by the top-performing advisers. On average, the top 10 finishers in the 2014 Hulbert Financial Digest performance scoreboard recommended portfolios that were more than three times riskier than the stock market itself.

That is one of the highest levels to have emerged from the Hulbert Financial Digest's more than three decades of performance tracking. In calendar 2011, in contrast, the comparable risk level among the top 10 finishers was less than a quarter as much. It's been growing more or less steadily ever since.

## Risk is growing

Average risk level of each year's top ten performing advisers



Source: Hulbert Financial Digest

What makes this trend so alarming is that the stock market has been near a major top whenever the top performers' risk levels were at or close to current levels. In 2006, for example, the last calendar year prior to the 2007-2009 bear market, it rose to slightly higher than current levels: 3.85 times riskier than the market versus last year's 3.32 times.

In 1999, the last calendar year prior to the bursting of the dot.com bubble, the comparable level was 2.58.

Risk-taking is correlated with the market cycle since bear markets are so punishing to those incurring lots of risk.

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After big market drops, when memories of recent losses are particularly fresh, relatively few advisers are willing to incur big risks. As those memories fade, however, more and more advisers venture further out on the risk spectrum.

The process keeps going until the next bear market, when this risk-taking cycle begins all over again.

In fact, the current market environment is what Adam Smith called a "kids market." I'm referring to the pseudonymous author and his investment classic from the late 1960s titled "The Money Game." Smith introduced the concept of a "kids market" to describe an investment environment in which the advisers and traders making the most money are those too young to remember the last bear market.

"Memory can get in the way of such a jolly market," Smith wrote.

Smith created a fictional character called The Great Winfield, who exploited kids' markets by only hiring investment managers who were not yet 30 years of age: "The strength of my kids is that they are too young to remember anything bad, and they are making so much money that they feel invincible. Now, you know, and I know, that one day the orchestra will stop playing and the wind will rattle through the broken window panes, and the anticipation of this freezes [the rest of] us" who are old enough to remember.

The bottom line? Almost by definition, this bull market will end when the fewest amount of people are acting out of fear of another bear market.

And that's just another way of saying it will happen when we least expect it.

[Click here to inquire about subscriptions to the Hulbert Sentiment Indexes.](#)

### Editorial Note:

In 'Where to From here?' in Edition 491 of our mentoring-style '[Investing & Online Trading](#)' Report we wrote:

"Jim Berg believes that no one can accurately predict which way the market will go.

That's why over the past 30 years of successfully trading the market he has developed his JB Volatility Indicators and common sense '*Weight-of-Evidence*' approach with a set of thoroughly tested and documented Rules, so that if the Market:

- 1) **Continues up**, Jim will continue to show how he trades and invest in stocks which pass his rising trend entry criteria; or
- 2) **Has a correction**, Jim will show how he progressively exits open positions as exit signals are given using his Initial, Adjusted, Trailing or Emergency Stops (as applicable) and switches to cash; or
- 3) **Continues to fall**, Jim will show how to trade falling trends e.g. using inverted Exchange Traded Funds (ETFs)

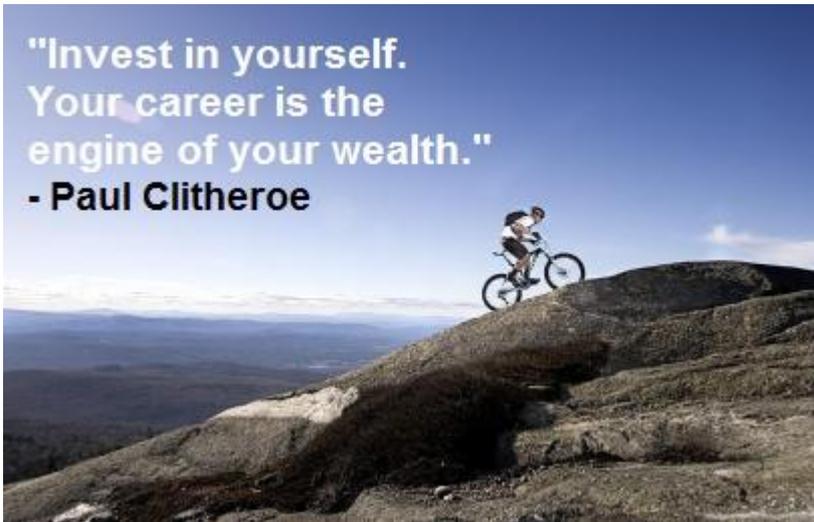
If a falling trend is confirmed, Jim will look to trade the downside in his new [Signals Service](#), using Inverted Exchange Traded Funds. These are not leveraged instruments and are designed to rise while the market falls. We will also initiate education on this initiative in [this Report](#).

However, if this latest correction has now stopped and the market continues up from here in 2015, then Jim will trade the upside to take advantage of and profit from the rising trend, using his JB Volatility Indicators and '*Weight-of-Evidence*', as developed by him over the last 30+ years of successfully trading the market.

There will always be losses, so if market conditions improve next year, the aim in 2015 (as always) will be to keep those losses small and to have more profits overall than losses."

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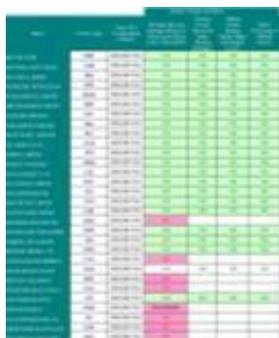
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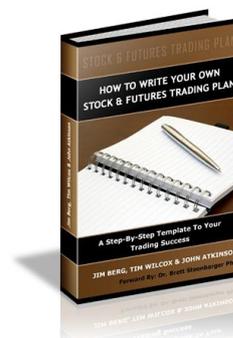
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