Chapter Three: Everyone Is In

Period of March 2000 through May 2000

The stock market has been driving the economy for some time now. Fourth quarter growth for 1999 was up 8.3% over the preceding period, the fastest growth in sixteen years. Unemployment claims are at a 26-year low; housing starts are the highest they've been in a year even though interest rates are higher, and $1.1 trillion has been added to consumer debt throughout the past year.

Everyone who wants to be . . . *is* in. There is only one other time in U.S. market history that has so many similar parallels – the year 1929. Market sentiment is – and has been – extremely lopsided. PE ratios for the Nasdaq are over 200 and are at all time highs in the S&P and Dow as well. The consumer confidence survey has recorded its highest figures ever. So has the growth of margin debt. Aggressive growth mutual fund inflows are at record highs while hybrid and bond funds suffer outflows; everyone is buying calls and selling puts; nobody wants government bonds . . .

However, there is rot just beneath the surface. The money has chased the top Nasdaq performers to the detriment of Dow and S&P 500 stocks – ARBA triples in three months, RMBS – up over 400 percent in a little over a month, and the biotech index leaps nearly 220 percent from the late fall to the highs in early March. Yet in 1999, 51 percent of the stocks in the S&P 500 declined for the year. In the first two months of 2000, 76 percent are losers. The Dow is worse: 83 percent of its stocks are in the red.

Despite the facts, the financial media continues to pretend that quarterly earnings matter and the investment community plays along as though it really does have an interest in such fundamentals. Splits, mergers, buyouts, stock buybacks, analyst upgrades – whatever – it's good enough to tout a stock to higher prices. When bad news hits, shares are dumped and day-traders buy the "oversold" chart for the bounce. Short sellers are battered and forced to cover lest they lose a fortune on a stock in an environment where no price, apparently, is too high. Then, when the price recovers, the talking heads announce that the bad news was bought because "this was already priced into the stock."

Even rate hikes are bullish. Of course they're not under normal circumstances but this market can justify anything. With each hike, as the logic goes, the Fed is one step closer to being finished with their business and according to CNBC, it proves that they're "ahead of the curve" in keeping inflation at bay. With that notion – and the one that tech companies don't need bank loans anyway – the market is always ready for a "relief rally" upon the announcement of the hike. Regretfully, all of this, and more as we'll later find out when the corporate and mutual fund scandals are uncovered, have resulted in a wide chasm between business reality and valuation.

But here in early 2000, the Nasdaq has been going up about fifteen percent for the past several months and bulls have come to expect it. The bears thought the Nasdaq was an epic short over 2,000 points ago. So . . . when? . . . the question hangs, is enough, enough?

Nothing New about this Economy . . . *(March 1, 2000)* Right around the highs, we got the NAPM numbers, and the prices-paid component was at the highest level for five years - 17 of the 20 industry surveys reported higher prices. Obviously, Easy Al and all the apologists will have reasons for saying it doesn't matter. I'm sure it's going to be claimed "all energy" or something, which brings up another one of my pet peeves: If we're in such a new economy, how come $30 oil is such a problem? And the answer is, because we're not in a new economy.

The Mania Chronicles (March 1, 2000)
Message Board Post

"I have got a challenge. Five of my buddies are lending me $1,000 each. In 5.5 years I am supposed to turn that 5K into one million dollars. I do not know if that is possible or not. My knowledge of the stock market is limited, but I would not mind being a millionaire. Is it even possible to turn 5K into a million in 5.5 years? Any suggestion on how to go about doing it would be helpful.

"Thank you."

[All you need is a 162-percent return annualized for 5 1/2 years - no problem.]

Everything Goes Up . . . *(March 3, 2000)* After a couple of hours of ratcheting higher, we had a midday explosion to the upside and things really kicked into gear. Basically everything went up several percent. The only distinguishing feature was which index went up the most. The Sox was up 7 1/2 percent, so this week alone the Sox has added more points than the entire index traded for back in 1995, when semiconductor sales were largely the same as they are now.

The Mania Chronicles (March 3, 2000)

Zippy Knows Investing . . . "I am a Fund of Funds portfolio manager specializing in alternative investments (commodity trading advisors and hedge funds). Although my field of investing may be perceived very risky by most investors, the fact is, my field necessitates that I focus on accessing risk, understanding it and controlling it. As a result of my focus on evaluating potential returns relative to expected risk, my overall performance has significantly lagged the major stock indices over the past year, albeit with much lower volatility.

"Needless to say I've been getting pressure to enhance performance and improve the marketability of the products. I've been feeling very down about both my personal and professional investing performance and I had an experience today that just added insult to injury.

"I was dropping a package into the FedEx box in my building when the guy behind me, who was reloading the soda vending machine, said `Hey, so how's da market doin' today?' I responded that the Dow was down about 100, the S&P was down about 5, and the Nasdaq was up about 20. He responded `that ain't too bad, I don't care about the Dow, the NAS is where it's at. I'm in the NAS, I really like it!'"

The Mania Chronicles (March 6, 2000)

I received an email this weekend from a Rap reader who said that I appear to have "an elitist attitude toward the common, individual investor," and that it's almost as though I don't want small individuals to do well. That completely misses the point of what I've been trying to do with the mania chronicles. I simply want to make clear the fact that folks are not doing any homework, the complete lack of respect for risk exhibited by bubbleonians and, lastly, the fact that everyone is "in" and using leverage. It's all become very dangerous to everyone's financial well-being.

Appearing on the tape right on cue as I was composing the Rap, SEC Chairman Art Levitt said today "that many retail investors did not fully understand how the financial markets worked, and were overspending themselves." He went on to say that "they could fall victim to their own wishful thinking due to this failure to understand markets. Furthermore, he was worried that "investors were borrowing not just on margin, but also against other assets such as their homes, to invest in the market, without taking any account of the risk they were running." He said it more succinctly than I have, and certainly that's what the mania chronicles are all about. I'd like to think that Rap readers are at least forewarned, and are therefore forearmed, because of what we describe everyday.

The Mania Chronicles (March 6, 2000)

Can Chew Gum and Trade at the Same Time . . . "My cousin is a chiropractic student in San Jose. Her college is right next to the Cisco campus. She came home yesterday and told me she had taken her tuition money and bought the Palm spin-off. She does not come from a wealthy family. She is 100 percent on loans and grants.

"All of her friends are taking their tuition money and doing the same. What is even scarier is that they are also trading penny stocks. Of course, some of them are making money and are supposedly paying off their loans. However, I suspect that they are not paying off their loans if they make money. If this isn't bad enough, she also told my mother and me that she and her friends are taking out low interest credit cards and opening trading accounts. Of course they are margining this amount as well.

"Mind you this is a person who doesn't watch TV or read. She literally does not know who the president of the U.S. is (she is Canadian, but she doesn't know who the prime minister of Canada is either)."

The Most Amazing Chronicle Ever? (March 7, 2000)

A reader sent in what just might possibly be the most sensational mania chronicle so far, although it's really hard to find the actual, number-one showstopper:

"A friend of mine who is a computer software consultant has decided not to pay his quarterly taxes to the Feds and is putting it into the market instead. He says the penalty is only nine percent and he can beat that easily in the stock market. He has it all in Rambus (RMBS). Should be an interesting ride from now to April 15. Wonder how many other people are doing this?"

The Mania Chronicles (March 7, 2000)

My friend Colin Negrych sent this email this morning:

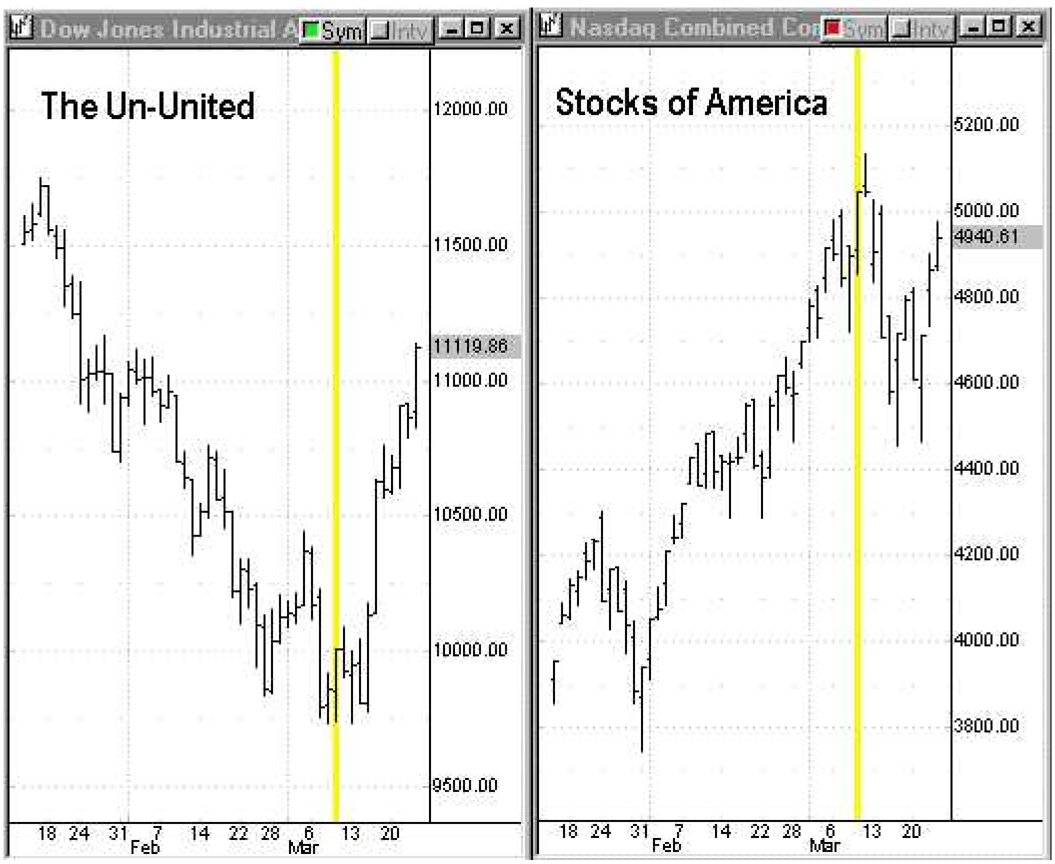
"I just went downstairs for a smoke and was approached by the uniformed doorman at the Takashimaya Department Store. He wanted to know if he should stay with the Janus Fund or pick his own biotech stocks because he was concerned Janus might be too conservative, given he has but $1,800 a year to invest and only five years until retirement."

The Mania Chronicles (March 7, 2000)

A regular reader submits this item:

"I know the end is near now. Last month I was talking to my 93-year-old grandmother on the phone and she mentioned, `a few stocks I should look into.' I'm sure other geriatric folks talk about stocks, but my grandmother has always been a woman of reason. She is still holding gold from before the confiscation and doesn't trust banks with all of her money. I grew up listening to her talk about how `only a fool invests' and how `Wall Street is full of thieves.' So either she is senile now, or the end is near."

The Most Speculative Day Ever . . . *(March 9, 2000)* The Nasdaq blew through 5,000 and made everyone feel good. The only applicable question is: How much was any one particular index up? Apparently, the bubbleonians and u4ians have decided that because the Dow held again, even though they don't care about it because it's the "old economy," the decline has passed and it's time to party on, dude. I've recently said often times that "this is most speculative day we've seen." Well, this one really <u>*was*</u> the most speculative day we've seen so far.



Today was quite a day for leapers. Midday, I ran a check and among the eight non-bulletin-board, over-the-counter stocks which were each up over 25 points, seven listed

Janus as one of their top three institutional shareholders. It just goes to show the wonders of a concentrated portfolio and strong inflows.

Get Ready for a Witch Hunt . . . *(March 9, 2000)* Michael Belkin had a bit to describe today's investment environment and what the future may hold for some of these "professionals" who are behaving in such an absurd fashion, foretelling a future witch hunt that almost certainly will occur:

> *"The fraud component of the current speculative mania consists of this: Unprofitable companies are unsuitable investments for all but the most reckless of investors --and fund management companies which lower their standards and pack their portfolios with the shares of such money-losing companies are violating their fiduciary responsibilities to their shareholders.*
>
> *"That's an easy line to cross when the entire financial industry is urging such behavior and the stock charts of such entities are soaring. But the end of that game is approaching and fund managers will ultimately be left holding such shares in a plunging, no-bid environment. And public sentiment (as it always does after a collapse), will blame the financial industry for improper investments in unprofitable and unproven companies. Such is the glorious future of the Iridium Internet market."*

The Mania Chronicles (March 9, 2000)

A reader shares the following:

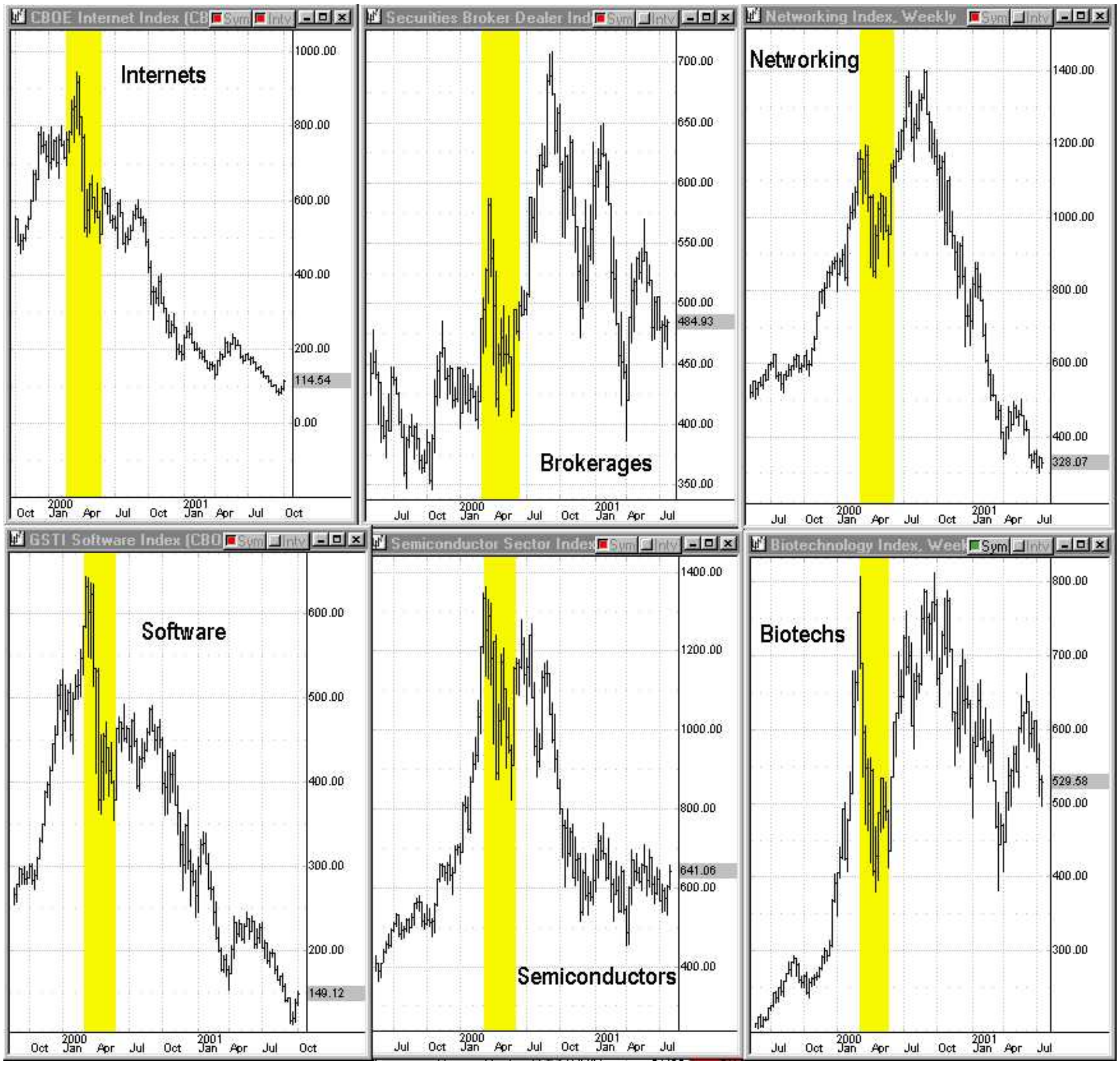
"Let's call her `Mary,' well into her 70s and a client of mine for the last 10 years. Mary has owned the same utilities for the last 40 years, which she inherited from her father. All of her securities are held in local safekeeping; in fact, getting her to part with her strongbox from under the bed took me eight years alone. She is frugal to a level few know and suspicious of anything financial; she defines a wild financial ride as a money market. Today she called me and wants to sell out her portfolio and buy techs."

The Nasdaq's sharp ascent finally peaked at 5132 on March 10, 2000 but couldn't hold the level. There was nothing particularly distinguishing about that session. Of course, a widely-anticipated goal had been reached on the day prior: Nasdaq 5000; but otherwise, it would seem that it was business as usual – no dire predictions by an influential voice, no financial calamities or world disruptions, no huge miss on earnings expectations by a big name, nor was there any extraordinary downgrade of a speculative darling. It really *was* just another day in the mania except that, uncharacteristically, sellers controlled the close.

In hindsight, however, March 10, 2000 was a fateful day. From that point forward, the best games of the mania were no longer a sure payday. Indulging such tricks now was just as likely to punish bulls and bears alike.

The biotech index fell 31 percent in five days then finished off the month on its low tick, down 41 percent. The semiconductors fell as well, albeit much more begrudgingly. Yet several sector indices - software, Internets, and networking - didn't touch their interim peaks until later in March, so it wasn't readily apparent that the top was in.

Over the following several weeks, the market was extraordinarily volatile as tech was sold and money chased what had been recently dismissed – namely stocks in the Dow and S&P 500. The S&P 500 managed to reach its all time high of 1552 in late March, yet the Dow could only get within three percent of its prior January 2000 top before turning lower in the latter part of April.



Chaos Reigns as Many Tech Stocks Slide . . . *(March 13, 2000)* Today opened on the lows, the S&P down 2 1/2 percent. The Nasdaq 100 futures opened down their limit, came off that and then fell to the next limit, down about four percent. That put the Nasdaq composite down about 200 points, or roughly four percent. As soon as we came off the limits a second time, a monstrous rally ensued and the S&P futures cut their losses from down 35 to slightly positive. The Nasdaq 100 futures rallied to being down only about 20 (from minus 165), the Nasdaq composite trimmed its losses to down about 20 as we had some serious buying in a handful of anointed tech stocks.

Bubble Ready to Burst . . . The advance-decline line was ugly once again and volume was again very chunky. All I can say is that chaos reigned supreme. I'm sure that all the new-era types and bubbleonians will have some spin as to why this is basically healthy. But to make that conclusion one would need to have a total lack of understanding of the way manias have worked in the past.

We are now in the death throes of the bubble, and on any day that it doesn't end it can go up any number of points, as I've been saying. This *is* the end game, though no one can know precisely how much longer it can continue. Yet when it turns down for real, this morning's down opening gap will look like an uptick.

The Mania Chronicles (March 13,2001)

Here's an email from a reader that not only provides a good example of what's going on, but is a wonderful description of the process at work: Namely, a giant Ponzi scheme.

"I have a friend who, let's say, is a fringe walker of monetary vice. For the 15 years I've known him he's done everything from horse betting, football, baseball, soccer, greyhound races, pyramid schemes . . . this guy would bet on - you name it. Do you remember the Friends Helping Friends scheme . . . well . . .

"A couple of months ago he started bothering me about how I trade stocks and online brokerages. He had never traded stocks before, but he was getting tips from an `insider' (actually some broker, or deal maker somewhere who was running a stock pyramid). So, he finally gets some money into Ameritrade or something and goes at the day trading. He calls me every day with these stock tips, (BICO for instance...get the picture). I ask him what the company does and he says, `I don't give a crap about that, this guy says its gonna' run, so you better throw-in.'

"Well, it's interesting, out of curiosity I tracked some of these stocks (MVEE, BICO, PAGE, SCON, ISCO, etc.), and they go up and crash. If you look at the charts on these things, it appears this just started at the beginning of January. The skinny on this whole thing is that these `insiders' start a phone campaign that talks these stocks up, one person tells two, the two tell four, etc. All the idiots buy it up and last tier or two gets crushed.

“This is surely a sign that the credibility of the stock market is not long for this world. We may laugh at this guy, but he happened to be on the bottom tier of a couple of these with margin and the like, and he got slammed. If you really look at it, though, this scheme is not unlike the mainstream market, with the analysts as the pyramid leaders, the IPO engine as the framework, the market makers as the straight men, and finally the unwitting individual investor.

"At least my friend knows that he's in a chain-letter pyramid scheme."

The Mania Chronicles... (March 14, 2000)

Here’s yet another email from our favorite bookie broker. It introduces two points about the dark side of speculation. One is that a lot of these bulletin board and cheap stocks are promotions if not outright frauds. The second point is that pricing is not always continuous, i.e., you can't always get out. Now granted, this stock was halted by the SEC and may never reopen, but the same sort of discontinuous pricing happens in real companies - witness P&G.

"I had a breathless client who called me last week wanting in a BB stock (ECNC), on a recommendation from his twenty something brother. He's been playing with borrowed 401k money and he bought two waves last week in the high teens and low teens cause he just had to be in. I went through the disclosure garbage, marked it unsolicited and told him it was a crapshoot.

"Well today it's halted and the way it looks, it may never reopen. I don't know what happened but from what I heard the phones are disconnected and there may be fraud involved. Looks like disaster number one for the sheep and I honestly can't say I feel remorse. The whole market is just such a cesspool now."

The stock's price had topped around $22 but on the day of this discussion, it had been cut in half to $10.00 just prior to being halted. It reopened for trading at the end of March for about $1.00. As of mid 2002 – the stock trades for $0.01 per share; it now really is a penny stock.

The Mania Chronicles (March 15, 2000)

I received an email from an AOL message board regarding the company halted for trading by the SEC that we mentioned yesterday, E Connect (ECNC). These two message board posts illustrate the type of speculation that has gone on and some of the denial and anger that sometimes arise in these situations.

Here's the first: "The true longs are doing battle with the hard-core bashers that are attempting to drive down this company. Here we true longs are dealing with a bunch of weak-minded, panty-wearing, chicken little, crybaby, investor wannabes. If you can't take the heat, get the hell out of our kitchen. You make me sick. I'll be in Vegas when ECNC hits $50. If any one of you little #%!*&@ would like to talk to me in person, please look me up. I'll be the nasty-looking #%!*&@ with a beer in one hand and knuckles in the other."

And the second: "Good morning fellow shareholders. I also thought I was headed for riches with this stock. I would read the message boards every day and thought I did some proper research. It took my 16-year-old son to get it into my brain that the `messages' are just from ANYONE - anyone who cares to comment - whether good or bad. I guess I just feel stupid. But - it sure sounds like a great idea, with huge potential. I just hope the news release over the past months have not been fabrications."

Epic Gains, Epic Volume, as the Chaos Marches On . . . *(March 16, 2000)* The big news this morning was the PPI, and just as folks had hoped, inflation excluding inflation remains tame. Yes, the world is a wonderful place.

We initially had the S&Ps go to the moon and the Nasdaq 100 futures were indicated up nearly two percent. That's how the market opened. Quickly, however, tech was put up for sale, while the Dow and the S&P rocketed higher. Within a couple of hours, the Nasdaq 100 had reversed its big gain. The Nasdaq composite itself fell down about three percent but the Dow was up 2 1/2 percent, the S&P up one percent.

At that point, it meant that the Nasdaq had dropped about ten percent. A headline actually passed on the Bloomberg newswire about the fact that the Nasdaq was now down ten percent from the high. As if on cue, one of the biggest rallies of all time began.

Five Percent Here, Ten Percent There . . . Initially the rally was in the S&P and the Dow, but then ultimately the Nasdaq 100 got in gear. The percentage moves today were so enormous that they are hard to put in perspective. Additionally, it is hard to have any perspective because we've all become jaded by the size of the moves that have come before this.

Having said that, virtually all the indices closed on their highs. The S&P ended the day up five percent; the Dow was up just a smidgen short of five percent, up 499 points; the Nasdaq 100 was up six percent, and the bank stock index was up nine percent, bringing its two-day run to close to 17 percent. The Internet stocks joined the action as well. The various Internet stocks and indices were up between five and ten percent, depending on which one you want to focus on.

The Mania Chronicles (March 17, 2000)

Here's one from a regular reader:

"I know a police officer who got into the stock market about six months ago. Nothing unusual there. What's odd is one of the ways he picks the companies that he invests in.

"When he's hanging out at Starbucks, he'll grab one of the papers that someone's already read (the fiscal responsibility pretty much ends there) and look for the stocks whose symbols are accented in bold print. If they're in bold print, then they have to have a good marketing department, he says.

"He recently found and invested in TALK.com (TALK) this way. Said he had no clue what they do, but that everyone has to talk so it has to be good. I could go on, but I don't think it will top that, so I'll just stop right there."

Here's another from a reader that puts a new spin on the idea of what constitutes personal injury...

"My roommate referred his girlfriend to me for financial advice. She started off explaining to me how she'd hurt her back and had a choice of accepting a $10k settlement or holding out for more in case she needed surgery in the future. I started to tell her I knew a personal injury lawyer who could . . . but she corrected me and asked - `Should I take that $10k and buy a stock?' She continued, `My girlfriend said just to take the money and buy a stock.' It was then that I realized just how pervasive this mania has become.

"I tried to explain that the market could not be expected to be so kind as it has seemed to be over the last year, nay five, nay ten years; that historical averages of equity returns were below 20 percent; that one of the great companies can open up the next day 35 percent lower in value, like Proctor and Gamble did recently; and that there are other financial instruments like bonds. She didn't want to hear this and I lost her attention. So I asked: `Do you owe anything on your credit card?'

"Yes, of course she does, at 20-percent interest. What else could I advise her, but that she should use the cash to pay off her credit card? Then she began with the `yeah, but isn't this just a time when the markets are, you know, so growing?' I tried to explain price multiples and how the `growth' was really a growth in the perceived value of equities.

"She let out an 'ugh' of exasperation. I could see that she only wanted that hot tip. I really can't blame her when I see the Ameritrade commercials and mutual fund ads. The sad part is that these people will get left holding the bag when Goldman and Merrill decide the party's over."

Shoo Fly . . . *(March 20, 2000)* There was a fly in the ointment today: A company called Microstrategy (MSTR) was forced by the SEC to restate its revenues so the stock split nearly 3-for-1 the old-fashioned way, down $140 to about $87. Of course, if the SEC got around to making everybody who's messing around with the books restate them, my guess is that a multitude of corporate America would be forced to restate - but that's an issue for another day.

The Mania Chronicles (March 20, 2000)

The stock discussed in the following chronicle was trading for less than $5 a few months ago. And if you were to look at the financials, you'd see that there isn't much there:

"A buddy's wife was given a `hot tip' from her manicurist about this `company.' Look at the comical profile and then the chart (MNGX). Her manicurist bought it in mid-February around $20 and she and my buddy bought it a few weeks later around $22. Neither of them sold it yet, and she told her husband to tell me (and all their other friends and family) to buy it now because it's down and it is going to go much higher. They expect it to go over $100 a share! I asked him based on what, and he said because the manicurist is great with stocks. LMAO!! Everyone is an expert now. Just incredible lunacy everywhere!"

And here's another one from a reader, who described it as "under the category of everyone being `in,' as well as the distortion of what we are witnessing in the labor ranks:"

"I live in a luxury high-rise apartment building in New York City, a building in which residents are used to a high level of service from the support personnel. This week, the building super was fired. This happened after some residents smelled gas on one of the floors, but calls to the super's office went unanswered.

“He had installed a computer in his basement office, and was too busy trading stocks to answer the phone. One of the other residents told me that the super was on hold with his discount broker during the emergency, and did not want to hang up. I should have known something was amiss a few weeks ago, when the super started asking me how he could get Instinet so he `could trade during extended hours with the big boys and really make some money.'"

The Fed is meeting again. No surprise; 25 basis point hike. This is the fifth increase since June 30, 1999, and yet again, the market seems to love it. Market 5; Greenspan 0. Dow up 227 points, Nasdaq up 102.

Sidewalk Shimmy . . . *(March 21, 2000)* As we flopped and chopped in front of the Fed meeting with the markets up modestly for the day, a shy retiring friend of mine sent the following email:

> *"Stocks are just coiling . . . to elbow Greenspan to the asphalt and take his lunch money - again. And again. And again. And again. And again. This pathetic dance between an impotent central banker and a frenzied mob, is tiresome."*

Well, that was a prophetic pronouncement, because as soon as the Fed came out and did exactly as it was expected to do, the markets once again exploded in their faces, just as they have before. The Nasdaq 100 futures contract was up about four percent after having been down almost a similar amount in the morning; in total, there was about a seven percent range on that contract. The Nasdaq itself was up a couple of percent.

The Last Increase – Really . . . So once again the u4ians have decided that this fifth rate hike is the last one, just as they have decided that during the previous four. The fact that there never seems to be any restriction of money on the Fed's part - just the niggling rate increases - tends to ensure that we will have more rate hikes until the market collapses. Because bubbles don't go gently - they go until they exhaust themselves and then they collapse, whenever that is.

The Mania Chronicles (March 21, 2000)

And speaking of Microstrategy, today's mania chronicle illuminates the dark side of speculation and the dangers that marrying speculative securities and leverage can create. It's a bit X-rated, but I think it is worth noting that these kinds of problems do arise. I would like to make it perfectly clear that I am not rooting for bad things to happen to people in any way, shape or form. The focus of the Rap and my reason for highlighting the mania chronicles has been to make people aware of the speculation that is going on and the dangers that exist.

When we misallocate capital, use lots of leverage and do things that are wrong, wrong, wrong - bad things ultimately happen. My feeling has been that if people are forewarned or otherwise prepared, it's the best defense against trouble down the road. Having said that, here is a very sobering example of the kind of damage too much speculation can do.

(The following is post from the Yahoo MSTR board):

"I bought MSTR on margin and lost $129,000.00 as of close today. Margined for half. Total loss. Margin was called late this afternoon. Lost everything I worked 21 years to save. This is nice for those who enjoy the suffering of others. Tonight may be my last night of life. I never thought one could lose like this. Yet, there are those here who enjoy my losses. I am drinking now, to gain courage to meet my losses like a man, and move onto another world where no one will care. I am not married and have no children so my absence will mean nothing to anyone. I see no other avenue of escape. I cannot live with my stupidity and I cannot live with losing everything. I am leaving for a while now. God bless others who lost. I will pray for you."

[Next day . . .] I have some good news to report. The poor fellow that we used in yesterday's chronicles thought about things and decided not to go through with his threats. He credited some of the folks on the thread for being helpful to him and encouraging him - which they did, I went and read all about it on the thread - even though some people there were unbelievably rude to this poor guy. In any case, that is a piece of good news that I wanted to pass along because I got enough email to know that a lot of people were certainly shocked by that particular post.

Wall Street Considering Extension of Cheerleading Tryouts . . . *(March 22, 2000)* When they opened the casino this morning, the buyers were lined up around the block to party because the dead fish community did itself very proud in their game of raising price targets.

Everybody Pick up Your Pompoms After Class . . . This game is just a giant fraud. The Wall Street community does absolutely no homework. They just don their cheerleader costumes, tout stocks and rah-rah them higher. There is no check-and-balance on management anymore. We could go on and on with examples like those we've countered in the Raps, but there's no point. There is simply no research being done, managements twist the truth, the government does the same, everyone parties, and we all live happily ever after.

Two Syllables, Rhymes with "Parade" . . . For now the game is all about seeing how high they can kite a stock price - they push it higher, push it higher, push it higher. And because everyone is doing it, the corporations aid and abet whenever they can by maneuvering their numbers around and everyone seems to benefit by this charade until such time that somebody gets caught. Then you have a complete implosion as that witnessed in Microstrategy.

When "If" Equals "When" . . . And typically when that happens, the dead fish rally around any stock that they might be able to push back up, saying that whatever happened is bullish because blah blah blah. How ironic it is that when these analysts get sandbagged because they never see a problem coming, they then come out of the woodwork to assure that when it ends, everything will be fine. They're confusing the "when" for "if." What they should be saying is that *if* the problem ends, things will be fine, but no, they say *when* the problem ends.

Tastes Like Chicken . . . *(March 23, 2000)* In my rant yesterday about the dead-fish community, I'd specifically mentioned it was probably knowable that Microstrategy was playing fast and loose with the financials, but I did not have first-hand knowledge because I had not focused on it. I spoke to a friend who shall remain nameless, but in my opinion is the dean of short sellers. He pointed out that in the September 10Q, the company disclosed that it booked a sale in third quarter that it didn't actually get until October. He said that that piqued his interest. Subsequent to that, some of the accounting services that look for fishy accounting had pointed it out, most notably the one by Howard Schillit. There were other clues as well.

So the point is that here was an absolutely spectacular case of a company doing wrong and folks knowing it, and the dead fish not saying anything. It appears the only time a problem matters is if the company admits it. Whether the dead fish don't know or are too chicken to discuss it, a problem is deemed important only when a company discloses it because the SEC and the accountants are breathing down their necks or the company runs out of wiggle room.

Chronicles Closing Down (March 23, 2000)

All good things must come to an end, so this will be the last regular edition of the mania chronicles. I started doing them because I did not believe that words could adequately capture the insanity and the leverage that was being utilized in the stock market. I thought the vignettes that I was hearing about would be more insightful to the reckless behavior that is pandemic. I believe we have highlighted that, and it should be clear to any reasonable person that things are dramatically out of control, and that the environment is extraordinarily risky.

More on Microstrategy Mess . . . *(March 24, 2000)* In his *New York Times* column this morning, Floyd Norris discussed the failed audit of Microstrategy in "The Humiliation of PricewaterhouseCoopers." The article discusses what the auditors knew at Microstrategy and how it took Howard Schillit to help them find the problem. Norris also raises the scepter of conflict of interest by the accountants. It would appear - surprise, surprise - that it's not just the dead fish who are incapable of calling a spade a spade.

The World According to Bill . . . (March 27, 2000) This weekend we also saw another example of fast-and-loose play with Wall Street ethics. Barron's reported that Lehman sold out a position in Vertical Net from its venture arm while one of its dead fish was recommending the stock. As a friend of mine said to sum up that kind of activity and the countless other examples I could share: "It's a Bill Clinton world." Now I realize that's going to offend a lot of people who are Clinton fans, but the fact remains that there is little concern for ethics from the top of the government on down, into corporate America and on Wall Street. He's right. It is a Bill Clinton world - anything goes.

The Truth about IPO "Access" . . . *(March 29, 2000)* I'd also like to point out that the public has been clamoring for IPOs and so many of the online firms have made it possible for people to get "access," yet it's not clear to me that all the hoopla is warranted. Very few people ever get in on the actual underwriting price; that tends to be saved for the chosen few. And buying the opening has not been too rewarding.

Palm opened around $160 and is now $50. And remember all the excitement surrounding Linux and that crowd? The stock opened at $300 and today closed at $62 with hardly any uptick in between, and there are so many more of these examples. So in a very short space of time while the averages have continued to melt up, there have been lots and lots of ways to lose giant amounts of money. It once again enforces the point that stocks go down a lot faster than they go up, if that can seem possible even during these days.

Bubble? What Bubble (Part 1) . . . *(March 30, 2000)* Overnight the S&P and Nasdaq futures did something they rarely do: They actually were down a percent and almost two percent, respectively. There was no particular catalyst for this. Some folks said that Billy-Bag-A-Donuts, a.k.a. William McDonough, the head of the New York Fed, had somewhat cautious comments in a speech where he issued a warning about stocks. But he followed it up with an ad for the Nasdaq: i.e. growth without inflation via productivity, blah, blah, blah. In reviewing some of the quotes from the speech, I don't think he was responsible for the whacking that the futures took overnight.

Some of his comments were: "I am quite sure we don't have a bubble economy in the United States." Wrong! He also went on to say that "we could probably have a fairly significant correction in the market . . . it would have to be much larger than most people think to have any likelihood of driving the U.S. economy into recession." Don't worry, Billy, it will be.

Janus: More of the Same . . . *(March 3 0, 2000)* As long as we're on the subject of being too big, it appears that Janus has taken in $17 billion in the last two months. Doesn't anybody who's throwing money at these guys stop to think that part of the reason their performance is so good is related to the fact that they keep getting so much money? And that when that stops - and it will - it's all going to go the other way? Don't mutual fund investors ever think about any of these things??

Speaking of fund flows, while it would appear that there is a tremendous amount of money going into mutual funds, $10 billion of that came out of bond funds. Most of the funding was directed to aggressive growth-type funds, but what many people don't know is that we had a record for IPOs in the first quarter - something in the order of $76 billion - and of course that doesn't count the massive amounts of secondaries and insider selling.

So when I have spoken in the past about exhaustion, I don't mean literally people get tired and fall over. I mean that the marginal seller swamps the marginal buyer. At some point Wall Street's securities' manufacturing machine is bigger than any of the flows, and the combination of the new merchandise and the size of the market simply tips it over. In other words, the marginal seller is now in command, especially when the public is clamoring for speculative companies that can be created in 15 minutes and are instantly awarded $15-billion market caps. At the very end of the game, an exponential amount of market cap becomes available for sale, and that appears to be where we are now.

In the "Who are They Trying to Kid?" Department . . . *(April 6, 2000)* I wanted to share a few quotes from Frank Zarb, chairman of the NASD. He said,

> *"We obviously had a bubble and the bub ble has now been corrected, which is a very good thing. We all said that was a bubble, everybody talked about a bubble, everybody said the bubble was going to burst. Well, the bubble burst, and that's very useful."*

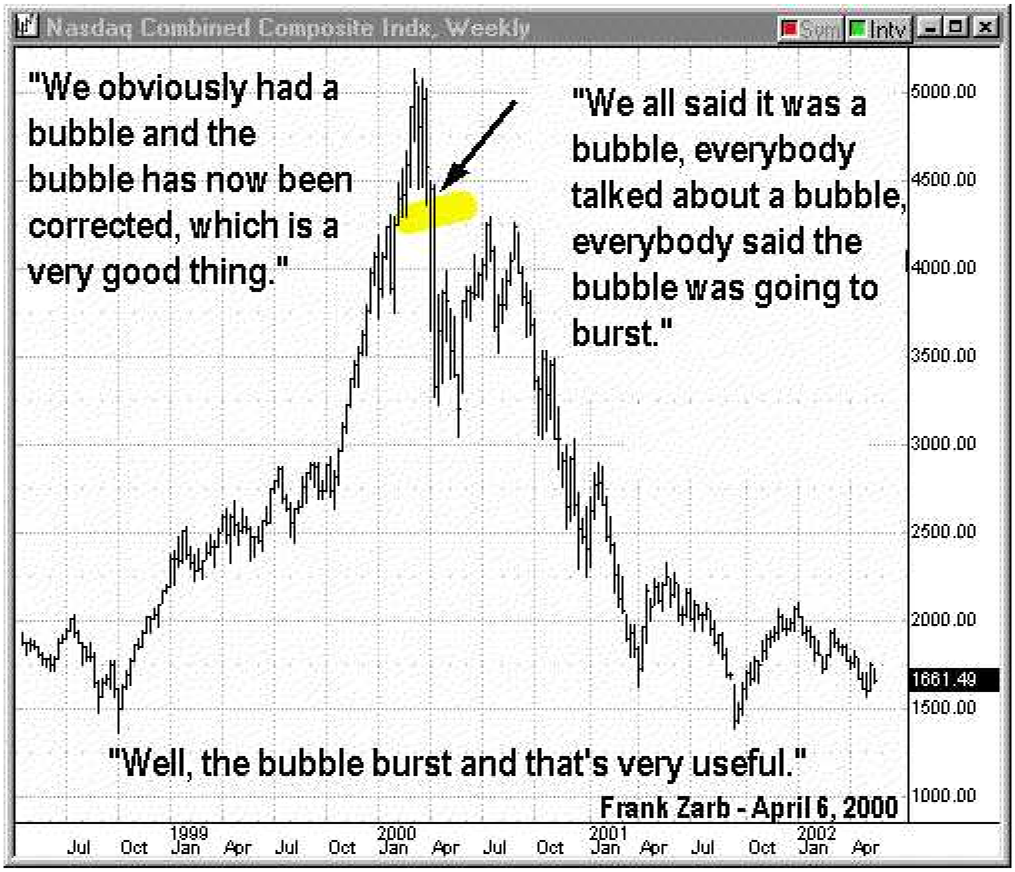
Huh? I don't remember him talking about a bubble and when he says that we all said it was a bubble, I'd like to know who he means is "all." It certainly wasn’t the Fed chairman.

> He went on to say, *"The correction in the Nasdaq market was expected and very healthy."*

That begs the question: who expected it? I don't remember him telling folks we were going to have a correction.

> In terms of wonderful Nasdaq companies, he said, *"Investors are interested in quality companies that have a very interesting vision and a very interesting produ ct."*

Well, I've got news for him, that's not investing, that's playing the game. I suggest that investors look for companies that have something less intangible, like prospects for earnings.



There you have it, from a speech given in China in which the chairman of the NASD attempted to say he knew all this was coming, everyone knew it was coming, it's been healthy and we're still going to keep playing the game. That, folks, belongs not in the Mania Chronicles, but in the twilight zone chronicles. Don't get me started.

More Damage to Come . . . *(April 12, 2000)* The battle cry to this point has been that when we arrived into earnings season, it would arrest the decline. My hunch was that wouldn't be the case, and that's the way it's starting to look. If these stocks really start to sell off, then the real start of the rout will be on. Folks may say, "How can the rout just be starting? It seems like it's been going on for a while." And yes, it has, but we haven't done much damage to psychology. All we've done is wipe out speculation at the margin.

There's an old saying in the stock market: Never meet a margin call. It takes a long time to learn that lesson, but it's good advice. A corollary to that is "Losers Average Losers," made famous by Paul Tudor Jones. It's very easy to be guilty of that sin; I know I've done it myself. But averaging down losers on margin is a recipe for disaster.

Let me just sum it up and say that unfortunately, the real damage is yet to come.

Bubble? What Bubble (Part 2) . . . *(April 13, 2000)* Greenspan was queried in front of Congress today and was asked if an interest rate move would prick the stock market bubble. His response: "That presupposes I know that there is a bubble. I don't think we can know there's a bubble until after the fact. To assume we know it currently assumes that we have the capacity to forecast an imminent downturn in prices."

Maybe Greenspan should huddle up with Frank Zarb, chairman of the NASD, who recently claimed to have known it was a bubble. Folks down the road are not going to like the fact that Greenspan created a bubble and then tried to pretend he didn't know one existed. It will be seen as one in a long series of errors he's made.

Under the Micro Scope . . . *(April 13, 2 000)* MicroStrategy, the stock that came close to kicking off this whole slide, announced that it was under formal investigation by the SEC, and the company restated its results for the last three years. So, that sorry saga continues. I noticed that one of the mutual funds that had been a key advocate of this particular stock had their portfolio manager resign yesterday. The ramifications are starting to spread.

The Bears are Back . . . *(April 17, 2000)* This morning Justin Mamis penned a piece titled "The Death of Greed." I thought it was a worthwhile description of the current market environment in the bigger picture that I'd like to share:

> *"The secular bull cycle dating from '82 is over. We are 'officially' in a secular bear cycle - which means not just one bear market and 'poof! everything is all right again,' but a series of bears - which, in turn, means that something termite -like is beginning to undermine global markets, and the global economy, as well as the incipient domestic problems.*
>
> *"Although made more difficult to contemplate because of the bifurcation, and thus perhaps each in its own way, this is going to be a long, slow process, the first leg of which is proving to be a lot sharper, steeper and persistent in the bursting of the mania than even we at our grumpiest ever had expected. "After the still absent but inevitable rebound, the subsequent leg down will be the opposite: slow, grinding, eroding."*

Justin also noted that every morning the S&P futures are up, indicating the eagerness that people have to buy every dip. I have long said that it would be impossible to be fully invested and buy the dip, but that is what has gone on via borrowing against shares. One of these days the ability to do that will cease to exist.

Tech Earnings Disappoint Bubbleonians . . . *(April 19, 2000)* The blizzard of earnings reports continued last night and don't you know, the giant majority of companies beat the numbers by - lo and behold - one penny. Isn't it obvious that earnings are being manipulated? We've discussed this before, but it seems that more companies now than ever before are playing this ridiculous game.

In any case, the two big tech companies that we had suggested mattered most - IBM and Intel - both managed to disappoint Mr. Market or, more precisely, the market saw through their shenanigans.

Taking Earnings for a Spin . . . *(April 19, 2000)* In IBM's case, the revenues were down five percent, software revenues were flat, hardware revenues were down 12 percent, enterprise and investment revenues were down 13 percent, but miracle of miracles, global financing revenues were up 16 percent. Also, in examining the balance sheet, I see that there was another decline in working capital and the company had negative free cash-flow generation, just to point out a few of the highlights. It will be interesting if we start to see the market look through these bogus numbers and recognize that the underlying businesses are deteriorating. For some time in technology, all that's mattered it whatever gobbledygook the company has foisted on the public. It has been sufficient to keep the share prices up even though, as in the case of IBM, there's been gross deterioration. It just goes to show you how far you can go with accounting gimmickry when a company can report a "better number" while the state of deterioration was as dramatic as it was.

Let me repeat for the umpteenth time: Things were not poor in Q1 for hardware vendors because of Y2K lockdowns. Things were poor and will continue to be poor because corporate America has stocked up on the hardware and software it needs. That is a very important distinction, and one that we will continue to see played out prospectively.

Pick a Number, Any Number . . . *(April 19, 2000)* Regarding Intel, it reported many different flavors of the number: 88 cents was the headline number, but the company had a tax credit you had to back out, then it had a charge that you had to add back in, and then - lo and behold - its stock market profits were higher than the company expected. Stripping all that out, playing the game the way Intel suggested you play it when the company gave guidance last quarter, it actually missed the number that it had set. That's because 68 cents is the number we get when the incremental other income that the company hadn't forecast is stripped out.

All that means is that operationally, things just aren't that grand. Company revenue numbers were light and now Intel expects the world to believe its problem is that demand is so great it just can't meet it. That happens to be true on the high end, where the company has a design problem, not a lack of manufacturing capacity.

None of Intel's customers are screaming about shortages any more. So the CFO's excuse that the company has capacity constraints is just total nonsense. He said, "Demand was stronger in the quarter, across all product lines, than we had anticipated." That just doesn't jibe with the financial statements. If that were the case, you would expect to see stronger revenues and firmer CPU pricing.

In determining what kind of investment environment we have prospectively, here's the most important issue: Whether these are pieces of paper with chart patterns and all that matters is spin, or whether they are fractional shares of businesses and the underlying results make a difference (and whether there's a connection to the value of the business.) Intel is a $400 billion operation with $30 billion in revenues, and is not positioned particularly well.

Great Company, Lousy Price . . . *(April 19, 2000)* Speaking of valuations, in a story that passed on Bloomberg, Microsoft CEO Steve Ballmer was asked a question about the recent market decline and volatility and what companies were worth. He said "for any company, Microsoft or any other company you are looking at, what is its long-term earnings potential and what do you think is a fair long-term P/E?" He went on to say, "In the long run, it's hard to have a P/E much above 25."

He's certainly right about that, for reasons that have to do with how fast a business can grow and how big it becomes if it grows fast enough to support that kind of multiple, and related issues that never get discussed on bubblevision.

Ballmer is referring to just the best companies, not all companies. So when the S&P is at 25 times earnings, you know that's the wrong price, and when you see companies in technology trading at north of 100 times, like Cisco, you know those are the wrong prices. Just because it happens to be a great company doesn't mean you can pay any absurd price for it.

The United States of Manipulation . . . *(April 28, 2000)* Yesterday's ramp-o-rama carried over to this morning, and the bubbleonians were foaming at the mouth to get into the casino. In the first half hour, the S&P futures were up over a percent, the Nasdaq futures were up four percent and the queen bingo caller was hyperventilating on bubblevision - basically, a scene from a movie we have seen many, many times in the last few years.

I often get questions about what is "jamming the tape" or "tape painting," so for those that don't know: It means buying stocks to cause them to trade at a certain price, rather than buying them as cheaply as you can because you really want to own them. It's somewhat of a fine distinction, and it gets more down to intent. Attempting to create an illusion by painting the tape is not legal - but it's one thing to think you see it, and it's a whole other thing to be able to prove it.

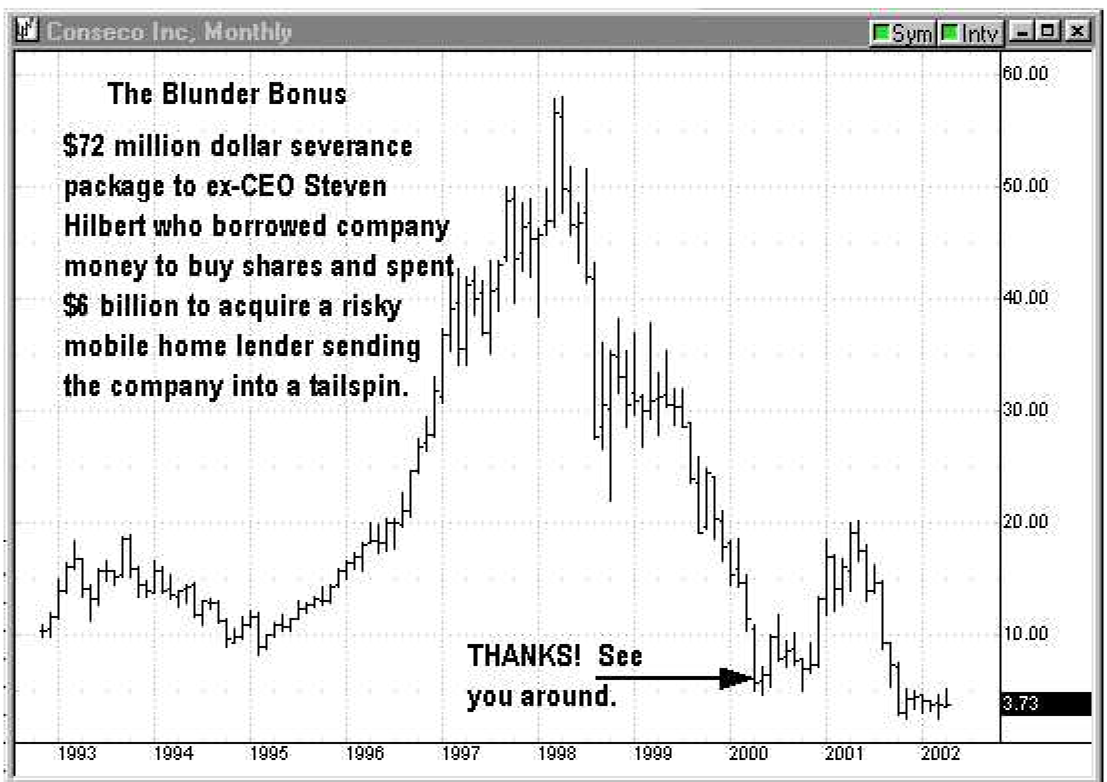
Dries in Seconds . . . In any case, we've seen a lot of tape painting for a very long time and it won't be until later on down the road, when folks are outraged at all the shenanigans - including cooking the books, tape painting, etc. - that it all gets delved into. Maybe then we'll find out what actually went on. An awful lot of things have occurred in the last few years that in prior eras would never have been allowed. After people lose a lot of money in the upcoming bear market, recriminations could be quite severe.

And You Thought Barbie had Everything . . . *(May 1, 2000)* Here's a bit of news folks might find interesting and in perfect keeping with the period we find ourselves. Former Mattel CEO Jill Barad received a severance package worth approximately $37 million. She also gets $700,000 or thereabouts for life yet was petty enough to want to buy the artwork in her office at whatever price Mattel had paid for it. She also wanted to purchase her car for a nominal sum, receive free medical and associated services, and to keep all the personal office equipment.

Now there is a remarkable display of getting an obscene amount of money for doing a horrible job and then acting completely petty on top of it. I don't know any of the circumstances surrounding Mattel, but I can say that this is one of the more egregious deals I have ever seen. What were the people on the Mattel board thinking when they agreed to this?

The Price of Failure . . . *(May 2, 2000)* To follow up on yesterday's outrageous compensation package from Mattel, today comes a similarly ludicrous package from Conseco (CNC). It gave its ex-CEO, Steven Hilbert, a severance package worth approximately $72 million. In it, among other things, was $23 million to allow him to repay a loan from the company that he received to avoid a margin call.

Folks who do good accounting work have long claimed that this company was ultimately headed for a disaster, which is what this is. So here's another guy who walks away with a gargantuan amount of money for putting the company into the dirt. How much money would these moguls have received if they'd been successful?



Standard Options Practice . . . *(May 3, 2000)* In April's edition of *Bloomberg Magazine*, Loren Steffi wrote an article entitled "The Option Charade." It puts Cisco under the microscope to discuss how much option issuance has helped the company's bottom line. I've talked about this before, but folks need to remember that a company's employee expenses are reduced when employees get paid in options, but the company also gets a tax break to increase its profits.

Believe it or not, U.S. tax law allows companies to deduct as a corporate expense the capital gains paid by their employees when they exercise their options. It's completely absurd, but it is what it is, and this is another reason why tech earnings are overstated. Last year, for example, Cisco got a boost of $837 million to its July 1999 fiscal year using that tax benefit, which represented 40 percent of its $2.1 billion net income. Of course, that wasn't in the earnings announcement - you had to go to the cash flow table in the 10k to find that out.

Safety in Numbers . . . In this case we're using Cisco as an example - in other cases we've used Microsoft - and this is not to pick on either of those, but this is going on all over corporate America, especially in technology. These behemoth tech stock earnings are dramatically overstated, while at the same time their valuations are completely absurd, which is why they're going to have so far to fall.

From a Whisper to a Scream . . . (May 5, 2000) I thought I would share a little insight/humor all at once. Some folks have asked about this excuse that CNBC is constantly giving that everything is OK since it's on "low volume" (yesterday was the lowest volume day this year for the Nasdaq). Richard Russell on his web site recently had the joke about how a broker had to tell a client that he some good news and some bad news. The bad news was that the stock the client owned had collapsed. The good news was that it had been on "low volume." I hope that pegs the nonsense about a low-volume decline not mattering.

Pi charts . . . (May 8, 2000) In the pizza-slicing department, GE split its stock 3-for-1, but it was unable to rally. At one point it was down over a buck on the day. At long last, the stock split game appears to have stopped working so at least that part of the monkey business appears to now be history.

That's Got to be at Least $40,000 a Pound . . . (May 25, 2000) In the gossip department, it seems that one of the biggest dead fish of them all, Dan Niles, will be leaving Robertson Stephens and going to Lehman. According to rumors on Wall Street, he’s going for something on the order of $7.5 million to $8 million a year. That’s just amazing. While he has been very good at jamming prices higher, his analysis has been completely and totally all wet. Everything he has had to say has been a rationalization for why there isn't a nuclear winter or why things are going to get better, when the facts point the other way.

Given that Wall Street has been in such a heavy state of denial, it continues to bid up stocks like Micron, Intel, Dell, IBM and so on, which are of course his faves. We'll see how Niles' monster paycheck looks six months from now, when it's crystal clear that it was all a pipe dream, and he was completely and totally dead wrong. However, I certainly can't blame him for taking the money if they want to pay it.

One for the Yearbook . . . Speaking of dead fish, running a close second to Niles is none other than Mark Edelstone. As you might recall, he was the big bull behind all the Rambus bull, as that stock was powered from $60 to $450, then back to $150 and change. Anyone who's done any serious work on this subject has noted all along that Rambus was basically DOA and destined not to succeed. Of course, if you tried to fight the tape in that stock you got trampled.

I bring this up because I think folks should remember who the cheerleaders were who helped them lose so much money and who didn't have time to do their homework but were more than willing to go on bubblevision or their brokerage firm's research calls to tout their wares. I hope that folks at home who have been bagged by these guys won't be inclined to listen to them in the future because they’ve shown that they just don't do any analysis.

Give the Man his Due . . . *(May 25, 2000)* Richard Russell had some interesting things to say about "holding for the long term" recently:

> *"The mathematics of investing is interesting. You buy a fund for 30. It has three fabulous years in a row, up 20 percent each year. So it's 30 to 37.30 to 44.64 to 53.56. Then a bear market hits and the fund takes a 50 percent hit. The fund is now selling at 26.78, below the price where you bought it four years ago. Moral -- you cannot afford to take the big hit, which is why I don't advise owning stocks in a confirmed bear market. The risks are just too high if the bear market develops into a BIG bear market."*

Don't Let Them off on a Technicality . . . Russell then had these poignant comments about dip buying and other old wives' tales:

> *"This is very important: I note that some of the advisory services, even some of the very good ones, are looking at the technicals and concluding that the market is readying itself for a good rally. I want to warn them (many of them read these daily reports) that the technicals do NOT work in a bear market the way they work in a bull market.*
>
> *"Remember, in a bear market the bears are right, just as in a bull market the bulls are right. Example - in a bull market a build-up in the short position is very bullish since in a bull market the shorts are*

positioning themselves against the primary trend and are therefore wrong.

"But in a bear market, a build-up in shorts is NOT bullish because in this case the shorts are aligned properly in harmony with the primary trend of the market. Therefore, those believing that a build-up of shorts in the current market is a bullish factor do not understand what's going on.

"In a bear market the technicals that you used during the bull market are not going to work. Be forewarned. (This is one of the tricky factors that hurt so many sincere analysts during the 1973-74 bear market collapse)."

From the Other Side of the Mania (May 26, 2000)

I first started doing the Mania Chronicles during the wild speculative months of the mania. I had run out of words to describe the action, and thought that vignettes describing the things people were doing would be useful. The idea was to allow readers to put everything in perspective, thereby avoiding bad things happening to them. I pulled the plug on the Mania Chronicles at the end of March, after we ran the story of the poor fellow who threatened to kill himself after a bad experience with Microstrategy. My conclusion at the time would be that they would cease to be humorous and as this next story attests, I think I was right.

This one is an incredibly sad tale sent by a regular reader. I include it so folks can recognize what they're dealing with when they're trying to conquer the stock market. I often stated on the way up that many people were acting like the stock market was a pet kitten whose job was to spit out $100 bills at them, when in fact it is a lion that would just as soon rip your lungs out.

I should point out that anyone who is in the investment business for a living has probably had some sort of near-death financial experience -- I know I've had more than one. This is why we worry about risk and cultivate a healthy respect for the bad things that the markets can do. As Jimmy Rogers says, “it ain't easy getting rich” and folks should remember that. One of the goals of the Rap has always been to make people aware of the things that Wall Street won't tell you. It's in this spirit that I offer this story:

"Thought you might like this post for your files from the CYBR board on RagingBull. Sad story, and from his profile, sounds like it's true."

'I'm writing with a heavy heart and tears in my eyes. I have worked hard all of my life, always trying to do the right thing for my family, friends and the world in general. I have never taken advantage of another person in any way. I have scrimped and saved over the years, as I did not have the luxury of a company pension or retirement plan. When I became aware of CYBR and the EHC, I did voluminous amounts of research and only after I was totally convinced, I started buying. I admit that I probably got caught up in all of the good repartee being bantered about the boards and violated some of my own basic rules of investing, but I really believed and in fact, still do.

'I have literally lost everything I have worked for my entire lifetime. A woman whose husband bought into CYBR on my recommendation called me his morning in tears as she thinks her husband is going to kill himself, as he did what I have done. We are both 62 years old and cannot recover from this. I called their son and told him to get over there. This is one of the most decent human beings you could ever hope to know. His life is ruined now. They are both sick and have less chance than I do of recovering from this.

'The part that is so hard is realizing that there actually are people in this world who can be this mean-spirited - people who get their pleasure from causing others grief. I think a number of the "bashers" have no other agenda other than to amuse themselves. Of course, there are those who do it to make money at the expense of others too.

'I did make a giant mistake by buying on margin. I have had to liquidate shares several times for margin calls and thought that the nightmare was finally over. Then this week happened. I am now so far in the hole that even if I liquidate totally, I still owe! Now that's incredible and shows the dangers of margin. I have until tomorrow and I don't know what to do, other than hope for a miracle.

'Even though I haven't participated much, I have read every message posted on the board and feel that I know and respect a good number of you.

'I have talked to Mike Morrell on two different occasions and feel he was being truthful with me. Even after interpolating "salesman talk" I was convinced and still am (until shown otherwise) that he is a good man and the company is sound and has a wonderful future. It's just that now, after enduring all of the pain of the last few months, I won't be able to share in the final rewards. I even took a second mortgage in March to pay margin down, so strong was my belief in this company. Now that money is gone too. So instead of looking forward to a nice retirement, I will have to hope I keep my health and am able to keep on working. This is a hard fact to swallow.

'I really don't know why I'm posting this. I realize that the ones that I respect will empathize with me and that others will have yet another source of amusement. Hopefully, writing this will have a cathartic effect on me.

'I have been through a lot of troubles in my lifetime, but I can honestly tell you that today is, without question, the worst day of my life. I wish all of you well.'"

The top for the market is in and there's been a lot of angst for novice traders who bought the dip. Rest assured, the volatility is here to stay as we're witnessing the death of the longest bull market in history and the commencement of a bear market. Of course, not everyone knows this and stocks "on sale" are too much to ignore for a nation that has fallen in love with the prospect of making easy money in the stock market.

The term "bear market" is not a common one at this point. Even more rare is an understanding of such a state. It is with this pretense that the market's "correction" is deemed healthy. Consequently, Wall Street and financial television are on a big campaign to reassure their public audience that investing is something to be done "for the long term," affirming that the U.S. economy is resilient to any threat, and as always, recommending what stocks folks should buy. Amazingly, the public trusts them, but in chapter four, we call it "Denial."