

Stock Market Perspective: Insightful Article

Due to being away for much of September and not returning home until the second week of October, writing a typical Perspective would delay your receiving this issue of my newsletter for what I feel would be too long. Instead I will provide a link to what I believe is an outstanding overview of the U.S. economy and the effects of current Fed policies.

First, some information about the author. John Hussman has a Ph. D. in Economics from Stanford and taught at the University of Michigan before starting his mutual fund family in 2000. The oldest fund is the Hussman Strategic Growth Fund (HSGFX). (Disclosure: my wife has owned shares in the fund for quite a few years (do not take that as a recommendation to own or not own the fund), but otherwise I have no association with him or any of his funds.) HSGFX is managed with risk reduction as a primary objective by hedging its stock holdings with options on stock indices when Hussman considers doing so to be the most prudent course of action. The fund had outstanding performance relative to the market in its first few years. However, for several reasons it has missed virtually all of the bull market since 2009. That has caused some to dub him unfairly as a “permabear.”

Hussman writes a weekly market commentary that he posts on Mondays on the fund family’s web site (www.hussmanfunds.com). Although he sometimes writes like the academic he is, the articles are generally quite readable. In recent years, he has often discussed about how he thinks stocks are overvalued, and consequently the longer term (the next 7-10 years) will be quite poor. He is explaining why HSGFX has been fully hedged for the past few years. He makes his case in various ways. My thinking is that his longer term outlook quite likely is correct since we are in the midst of a secular bear market as I have discussed several times. Apparently he does not put much weight on trend following methods, which has been a

factor in his missing the current cyclical bull market.

The August 25 commentary discussed the economy and particularly Fed policy, which he does every so often. It contains some interesting graphs and data. The title of the article is *Broken Links: Fed Policy and the Growing Gap Between Wall Street and Main Street*. See <http://hussman.net/wmc/wmc140825.htm>.