The Gleason Report
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S&P500: 2118
Gold: $1245
10yr Bond: 1.71%

Overview

Some sharp people say the government is rigging the markets through the plunge protection team in order to prop up confidence. That probably is true though I can't possibly verify it as fact. With bond yields so low there is no competition to stocks so the various indexes are supported despite corporate earnings trending down. At some point, falling earnings will make investors nervous. Pay attention to the trends.

Several factors are changing the dynamics of the stock market. The US government is monetizing its debt, rates are near zero, and Treasury likely intervenes in the markets. No doubt more things are going on that I'm not aware of. I read a lot and some of it sounds like wild conjecture but these guys aren't fools so who knows.

I especially liked an interview on usawatchdog.com with the lead attorney on the Bernie Madoff case. What I heard was astonishing. The level of fraud at the big banks and especially JP Morgan is stunning. These bankers are criminals. This 20 minute video interview will open your eyes and leave no doubt that America is in big trouble.
http://usawatchdog.com/criminal-bankers-threaten-entire-world-economy-helen-chaitman/

In my commentary below I explain why I think bond allocations of a standard portfolio should be changed. The stock market in the years ahead will likely return much less than the past and that's why I'm trying to greatly improve returns with a unique method of dividend stock analysis. In a lower capital gain era, dividends will be more important.

Dividend Stocks

I've reworked a bug in my dividend software that sometimes gave erroneous yields. A big issue with running this kind of analysis is normalizing the dividend stream. Companies will sometimes issue a special dividend which makes the yield jump for the year but doesn't represent the usual payout pattern. Dividends like that distort the payout so I eliminate it. If my posted yield differs from some web site you need to check its payouts for anomalies over the last year. There may still be errors so help me improve the software by reporting them.

My dividend work uses the Dividend Aristocrats or Dividend King stocks. These are businesses with a long history of continuous payouts and increases in the dividend. There are about 140 of these companies with a 15+ year dividend stream. General Electric was a long time payout champ but had cuts after the 2008 crash due to its financial business. It's getting out of finance and focusing on manufacturing. It's inclusion on my list is questionable because of the previous cuts. I should probably remove it. If you have an opinion let me know. At the end of this report is the entire list of companies I track. If you know of one that should be added or deleted let me know and I'll check it out. I could include more MLPs.
tom@gleasonreport.com

Based on yields and my ranking method the dividend universe offers eight companies on my watch list. As of 7 June 2016 the yields are too low or have a price downtrend. If things change I'll send an email alert.

Ticker	Yield	Name
HRL	1.7	Hormel Foods Corporation Common
NKE	1.2	Nike, Inc. Common Stock
TIF	2.5	Tiffany & Co. Common Stock
PII	2.6	Polaris Industries Inc. Common
NSC	2.8	Norfolk Southern Corporation Co
ABT	2.7	Abbott Laboratories Common Stoc
BEN	2.0	Franklin Resources, Inc. Common
HCP	6.9	HCP, Inc. Common Stock

Market Timing Models

My models as described in my book are in the markets for the most part. Below is the list of indexes and funds I track and their timing status. It shows the fund name, the Last Action of Buy or Sell, the date of the action, the reversal ticks indicating a timing change, the Last Transaction Price of the buy or sell, Today's Price, and the Change % since the last action. It's a sideways market so the timing doesn't show much gain or loss either way.

The tickers I track don't all have high trade success rates but together give a solid picture of the markets. My educational background is in finance and computer science. The models are calculated from price data and fully automated. I'm rather proud of my new dividend stock timing model. I can calculate the full list in six mintues.

Ticker Name	Trend Reversal Status			Price Change Since Last Action			
	Last	End of	Reversal	Last Trans	Today		
Company Name	Action	Month/Yr	Ticks	Price	Price	Change %	%Success
SPDR Select Sector Fund - Healt	B	Jun-16	0	71.61	72.43	1.15%	0.60
Vanguard High Yield Corporate F	B	Jun-16	0	5.67	5.67	0.00%	0.86
Russell 2000	B	Jun-16	0	1163.04	1167.918	0.42%	0.82
SPDR Dow Jones Industrial Avera	B	May-16	0	177.65	178.08	0.24%	0.82
NASDAQ Composite	B	May-16	2	4948.05	4961.43	0.27%	0.83
Fidelity Select Electronics Pt	B	Apr-16	0	70.63	77.03	9.06%	0.71
Fidelity Select Construction an	B	Apr-16	0	58.02	60.27	3.88%	0.79
SPDR Select Sector Fund - Indus	B	Apr-16	0	56.16	55.98	-0.32%	0.75
Materials Select Sector SPDR	B	Apr-16	0	47.10	47.11	0.02%	0.57
Vanguard Precious Metals and Mi	B	Apr-16	0	10.57	9.51	-10.03%	0.64
SPDR Select Sector Fund - Finan	B	Apr-16	0	23.31	23.8015	2.11%	0.69
Vanguard Total Stock Market Ind	B	Apr-16	0	51.36	52.38	1.99%	0.67
IBOVESPA	B	Apr-16	0	53911.00	49727.93	-7.76%	0.56
SPDR Select Sector Fund - Energ	B	Apr-16	0	67.50	66.68	-1.21%	0.67
S&P 500	B	Mar-16	0	2059.74	2100.81	1.99%	0.71
Fidelity Select Transportation	B	Mar-16	1	78.03	75.37	-3.41%	0.83
S&P 500	B	Mar-16	0	2059.74	2100.81	1.99%	1.00
SPDR Select Sector Fund - Utili	B	Feb-16	0	45.95	49.18	7.02%	0.80
CBOE Interest Rate 10 Year T No	S	Feb-16	1	1.74	1.81	4.02%	0.45
DAX	S	Feb-16	0	9495.40	10208	7.50%	0.83
DAX	S	Feb-16	0	9495.40	10208	7.50%	0.83
NASDAQ-100	S	Feb-16	2	4201.12	4522.45	7.65%	0.71
SPDR Select Sector Fund - Consu	B	Dec-15	0	50.23	53.14	5.79%	1.00
Vanguard Bond Index Fund Long-T	B	Dec-15	0	13.03	14.18	8.83%	1.00
Vanguard Specialized Portfolios	B	Dec-15	0	26.20	27.82	6.20%	0.91
HANG SENG INDEX	S	Oct-15	0	22640.04	20859.22	-7.87%	0.86
Nikkei 225	S	Oct-15	0	19083.10	16562.55	-13.21%	0.65
SPDR S&P China ETF	S	Sep-15	0	67.56	69.1128	2.30%	1.00
Fidelity Select Health Care	S	Sep-15	0	188.96	195.45	3.44%	1.00
Fidelity Select Air Transportat	S	Sep-15	1	60.60	62.85	3.71%	0.90
FTSE 100	S	Aug-15	0	6247.90	6185.61	-1.00%	0.89
Fidelity Select Technology	B	Mar-12	0	78.64	119.82	52.36%	0.75
Vanguard Index Trust 500 Index	B	Dec-11	0	106.59	194.35	82.33%	0.90
SPDR Select Sector Fund - Techn	B	Aug-09	0	17.86	43.9858	146.25%	0.75
SPDR Select Sector Fund - Consu	B	Jul-09	0	22.84	79.465	247.86%	0.67

Bonds

This past week fund manager Bill Gross (The Bond King) was on MSNBC and discussed trends in the bond market. He said that the US 10 year treasury and foreign bonds were offering so little return that business models of pension funds and insurance companies were broken. They will go broke because they can't meet their financial commitments. There is panic in the industry. They promised 4-5% and can only earn 0-1%. He said a very different market is ahead.
http://marketsanity.com/bill-gross-get-ready-entirely-different-market/

We've already seen the Central State Pension fund propose to slash payouts to Teamster pensioners by 60% after a court gave them permission. Congress has intervened and it's not yet certain. Most pension funds calculate their solvency using a three year rolling return model and an assumed forward return near 8%. That's based on returns since 1980 and not tenable for this environment. I expect congress will be bailing out a lot of pension plans. What about people who took lump sum payouts and invested in private annuities from insurance companies?

The US will not allow its banks and a major financial institutions to go broke so what does that imply? Probably a middle ground solution. It means banks and insurance companies will have to charge customers more in fees (negative rates) or pay out less on their annuities. Contractually, they're committed to decades of payout obligations. A court ruling can theoretically change the terms but I don't think that idea has a prayer. It looks like some bankruptcies are ahead and a lot of consolidation.

Two years ago I came to this conclusion. I warned a friend of what may be ahead. He got very angry and refused to believe this could ever happen in America. It will happen. We'll have to see how congress handles it. Bailouts would be enormous and quite negative for US deficits. I would advise pensioners to be cautious and not assume their future purchasing power will remain intact.

I'm hoping negative rates have no future in America because that would destroy the financial services industry. I'm hoping government won't allow pensions to be cut because the social consequences would be ominous. 50% of Americans haven't got $1000 in the bank. Can you imagine what would happen if pensions were cut? We have Bernie Sanders and Donald Trump in 2016 and 2020 would only get scarier for the establishment. I think it's a safe bet that government will continue to be heavily involved in America's private financial companies.

Alan Greenspan this past month warned that America will go the way of Venezuela unless entitlements are cut. He said total disaster is ahead because there is no productivity growth. Politicians are afraid to cut entitlements because they'll be voted out of office fast. Is he right? Absolutely. Trouble is, it's too late to cut social security, Medicare, food stamps and welfare. The old argument of "let the lazy bastards get a job" won't fly because there are no jobs and even the Republicans agree on that. The last jobs report was a catastrophe.
http://investmentwatchblog.com/greenspan-were-headed-towards-a-state-of-disaster-entitlements-must-be-curtailed-profound-longterm-problem-of-no-gdp-growth/

Greenspan certainly knows it's too late to change the system. The baby boomers generation won't be denied because they have money and they vote. Governments won't cut entitlements. In fact they're adding giveaways for illegal aliens and making disability payments easier to qualify. What gives with Alan? I think he wants to be on the record with his concerns. He knows what's coming is irreversible. The alternative media came to that conclusion years ago.

Let's examine this conundrum. The world is awash in excess labor. Wages are stagnant and declining. There is too much capital chasing too little return hence super low rates on cash. The government is suppressing rates on the short end via the Fed and on the long end via buying their own bonds. This has suppressed the entire yield curve. If the Fed commits to a trend of raising short term rates the stock market will likely crash because cash will rush from over priced stocks to a guaranteed rising safe return.

Globally, we have no growth, rising unemployment, troubled financial institutions, consumers with no money and politicians who can't act. What is the policy response? There is only one thing that can provide a profit margin to insurance companies, and allow pension funds to meet their obligations. Only one thing: bailouts with deficit spending and lots of it. Some say that kind of spending guarantees hyperinflation. Hyperinflate against what? Other currencies? They're all doing the same things. They can monetize the debt and the markets seem to be ok with it - for now. That's why they suppress the gold price. It's the only money nobody can print. The suppression has been proven beyond any doubt. Here's where our story gets interesting.

The US is monetizing its debt. The central banks are buying government bonds because no sane investor will loan indebted governments money for ten years at 1.5% and hold to maturity. Governments are deep in debt with out of control social welfare commitments and endless deficits. Austerity is dead on arrival. They'll have to keep printing fiat money for twenty-five years until the demographic bulge moves through the system.

Europe, America, China will all do the same thing because they all have the same problem. If they all print together then they hope to maintain an illusion of stability. Helicopter money, cash payouts directly to consumers, is likely. The public sees the financial system as rigged for the rich by the political class. Therefore, the welfare system must be saved or revolution could result. Every politician understands this.

That's why Bill Gross says to get ready for an entirely different market. The word "entirely" has implications.

What does this mean for portfolio investments? It means modern portfolio theory – the standard since the 1960's - will not work as before. It means you will have to invest your capital in a different way or lose money. <u>Owning bonds at this time means a guaranteed loss of capital over the next twenty-five years.</u> You have to get your portfolio aligned with government policy.

A New Portfolio for New Times

Replace the long bond portion of your portfolio with gold.

Yes, I know that sounds radical, irresponsible, and unconventional. But when you consider today's low yields, massive public and private debt, the need for governments to pay entitlements amidst currency wars, it makes financial and mathematical sense. Buying a suppressed asset like gold is like watching a man hold up a heavy barbell. Eventually he'll have to drop it. A compressed spring will eventually be let loose.

I'm not saying to put 40% into gold. I'm suggesting that you eliminate the long bond portion of your bond allocation. It pays nothing so why own it? You could move half that allocation into short term bonds and half into gold. If you're an aggressive investor then move the whole long bond allocation into gold and hang on. There are other choices than gold but some dollar inverse choices are needed. The opportunity cost is near zero.

All asset classes peg off of bond yields. Reits and GNMAs have better yields than treasuries but those are also suppressed by definition. As for the Fed raising short rates in the next few months, I very much doubt that. The most accurate person on Fed rate hikes has been Peter Schiff. Never at a loss for words, Mr. Schiff's view on rates are logical and near always right.

Bond funds don't have a rosy future. Stock returns will be much lower than in the past – probably by half. Gold is now selling at near the global cost of production which is somewhere around $1000-$1200 according to industry experts. You have the opportunity to buy at cost right now. Over the following decades gold will sell at a huge premium to extraction cost. It will be purchased by pension funds and insurance companies as a hedge against currencies. They will have no choice but to put cash into dollar hedges!

Jim Rickard's book The New Case for Gold is a bestseller. Here's a broad interview where he makes his case. I accept his view that the IMF's SDR could become the new global reserve after a dollar collapse – if that happens. I don't see the US willingly going to the SDR for many reasons. A sudden dollar collapse theory has merit because any system built on fraud will fail. However, I think a gradual transition to gold amidst a background of rising fiscal deficits is the more likely outcome because they'll have to let the spring gradually expand. Gradually is the key word. Here's an outstanding interview with Richards and Dominic Frisby.
https://www.acast.com/bullsandbears/jimrickards

We've gone through 35 years of falling rates. That cycle is over. My research, explained in my book, shows that gold does best as long rates rise. I expect gold to return around 10% annually on average. It may equal the average historical bond returns of the past three decades. The biggest gains will be made in the early years of the cycle shift. $10,000 gold may seem farfetched but Rickards bases that on 40% gold backing of the outstanding currency units. He might be right. This view is shared by many in the hard money community notably Peter Schiff, Jim Sinclair, Bill Holter, Eric Sprott and others.

It takes a long time to change government policy and private financial preferences. Long rates are still falling which is deflationary so you might have time to think things over. The danger with taking your time is the system is unstable today and an event could trigger a collapse tomorrow. In that event you'll either own gold or you won't because it won't be available for purchase. Peter Schiff and Rickards have stated that the next crisis will be much bigger than 2008. Rickards says the government will lock down the system for an extended period rather than let the markets tumble out of control. What happens afterward I simply don't know.

Government deficits will soar to cover pension fund failures, military spending, and entitlements. Governments do not want a gold standard and are unlikely to adopt it preemptively. I believe the big moves in gold won't be the result of a gold standard, the IMF, the SDR or China. Large financial institutions will adopt a bond replacement strategy. They will allocate a portion of their multi-trillion dollar bond portfolios to gold and push the price higher.

This is simple logic but you won't get any support from friends and financial advisers on my bond reallocation idea. Most people have a normalcy bias and no ability for projective thought. They'll get angry if you discuss it or will throw taunts and say you're wearing a tin foil hat. That is until it happens and you make a lot of money. Then they'll hate you for being right. To each their own. Think right and do right.

I'm out of stocks because the price is too high and the earnings trend is down. I think index fund buy and hold won't have a good payoff for a long time. The returns won't be good. That's why I've focused on dividend stocks. They provide some metrics I can use to time buys and sells.

War

Wars are always about money – grabbing territory, resources, or preventing a competitor from gaining an advantage. The United States owns a failing reserve currency. It was on the gold standard till the mid seventies. When trade deficits forced America to stop gold transfers they concocted the petrodollar. All oil purchases from OPEC had to be paid in dollars so other countries had to hold large dollar reserves which they held as US treasury bonds. It was a great plan that worked for forty years. Any attempt to escape the petrodollar was met by war. Iraq wanted to use Euros. Invaded. Libya wanted an African gold Dinar. Crushed. Syria wouldn't allow Saudi gas pipelines through its territory. Invaded. Needless to say, the nations of the world don't want any more of this but bucking Uncle Sam is suicidal.

In 2014, alarmed by a rising Russia, the US colluded with the Saudis to lower oil prices in an attempt to destroy the Russian economy – the world's largest oil exporter. It didn't work. Instead of Russia, OPEC collapsed and the oil producers will now accept any currency. The petrodollar supported dollar hegemony and now it's dead. The people Obama appointed to run American foreign policy miscalculated. People with one-sided ideologies like the neocons are so certain of themselves they can't recognize the danger in their actions.

The Russians and Chinese are selling off their dollar holdings and are buying massive amounts of gold while it's suppressed. This enrages the neocons. The neocon plans for a continued unipolar world are unacceptable to the east. With deficits poised to soar and the petrodollar gone the trend is very bad for US dominance. A smart nation would adapt to the reality of a multi-polar world and try to negotiate an acceptable advantage but you can't reason with fanatics.

The US strategists have embarked on a foreign policy of belligerency. They're placing missiles on the Russian border and threatening China. Trouble is Russia has really good missiles and

China has economic growth. This creates a dangerous geopolitical situation. Every week now we hear of a provocation or a dangerous military incident. The tension is escalating and neither side will back down. Russia and China intend to wait out America's financial decline until the lies become so obvious that the markets panic. Then it's game over. This isn't lost on DC so the conflict has gone beyond words to actions.

Hillary Clinton is a neocon in the John McCain mold. If she's elected I think nuclear war is quite possible. Her actions on Iraq, Libya, State Department record keeping, and racketeering for her Clinton Foundation all show a person with exceptionally poor judgment. She has a violent temper and poor health. The Republican establishment prefers her corruption to a reformer which tells the sad state of America's bogus two party system. This is why I believe it is prudent to have food, water, and cash reserves. A $500 investment could save your life and the net cost is zero since all the supplies can be consumed.

The neocons run the US government. Our only hope is a president who can turn the tide on this insanity. I doubt Trump or Sanders can fix the American economy or make America Great Again. But maybe they could prevent nuclear war.

Best regards,

Tom Gleason
The Gleason Report

List of Dividend Stocks I Track in Alphabetical Order

SRCE	1st Source Corporation
MMM	3M Company Common Stock
AOS	A.O. Smith Corporation Common S
ABT	Abbott Laboratories Common Stoc
AFL	AFLAC Incorporated Common Stock
APD	Air Products and Chemicals, Inc
ALB	Albemarle Corporation Common St
AWR	American States Water Company C
AWR	American States Water Company C
APU	AmeriGas Partners, L.P. Common
ATR	AptarGroup, Inc. Common Stock
WTR	Aqua America, Inc. Common Stock
ADM	Archer-Daniels-Midland Company
T	AT&T Inc.
ATO	Atmos Energy Corporation Common
ADP	Automatic Data Processing, Inc.
BMI	Badger Meter, Inc. Common Stock
OZRK	Bank of the Ozarks
BDX	Becton, Dickinson and Company C
BMS	Bemis Company, Inc. Common Stoc
BKH	Black Hills Corporation Common
BRC	Brady Corporation Common Stock
BRO	Brown & Brown, Inc. Common Stoc
BF-B	Brown Forman Inc Class B Common
BCR	C.R. Bard, Inc. Common Stock
CRR	Carbo Ceramics, Inc. Common Sto
CAH	Cardinal Health, Inc. Common St
CSL	Carlisle Companies Incorporated
CASY	Caseys General Stores, Inc.
CAT	Caterpillar, Inc. Common Stock
CVX	Chevron Corporation Common Stoc
CHD	Church & Dwight Company, Inc. C
CINF	Cincinnati Financial Corporatio
CTAS	Cintas Corporation
CLC	CLARCOR Inc. Common Stock
CLX	Clorox Company (The) Common Sto
KO	Coca-Cola Company (The) Common

CL	Colgate-Palmolive Company Commo
CBSH	Commerce Bancshares, Inc.
CTWS	Connecticut Water Service, Inc.
ED	Consolidated Edison, Inc. Commo
CFR	Cullen/Frost Bankers, Inc. Comm
CB	D/B/A Chubb Limited New Common
DCI	Donaldson Company, Inc. Common
DOV	Dover Corporation Common Stock
EV	Eaton Vance Corporation Common
ECL	Ecolab Inc. Common Stock
EMR	Emerson Electric Company Common
EGN	Energen Corporation Common Stoc
EOG	EOG Resources, Inc. Common Stoc
XOM	Exxon Mobil Corporation Common
FDS	FactSet Research Systems Inc. C
FRT	Federal Realty Investment Trust
FELE	Franklin Electric Co., Inc.
BEN	Franklin Resources, Inc. Common
GD	General Dynamics Corporation Co
GE	General Electric Company Common
GPC	Genuine Parts Company Common St
GRC	Gorman-Rupp Company (The) Commo
GGG	Graco Inc. Common Stock
HRS	Harris Corporation Common Stock
HCP	HCP, Inc. Common Stock
HRL	Hormel Foods Corporation Common
ITW	Illinois Tool Works Inc. Common
IBM	International Business Machines
JW-A	John Wiley & Sons, Inc. Common
JNJ	Johnson & Johnson Common Stock
KMB	Kimberly-Clark Corporation Comm
LANC	Lancaster Colony Corporation
LEG	Leggett & Platt, Incorporated C
LECO	Lincoln Electric Holdings, Inc.
LNN	Lindsay Corporation Common Stoc
LOW	Lowe's Companies, Inc. Common S
MKC	McCormick & Company, Incorporat
MCD	McDonald's Corporation Common S
MDU	MDU Resources Group, Inc. Commo
MDT	Medtronic plc. Ordinary Shares
MCY	Mercury General Corporation Com
MDP	Meredith Corporation Common Sto
MGEE	MGE Energy Inc.
MSA	MSA Safety Incorporated Common
SFG	N/A
NFG	National Fuel Gas Company Commo
NNN	National Retail Properties Comm
NEE	NextEra Energy, Inc. Common Sto
NKE	Nike, Inc. Common Stock
NDSN	Nordson Corporation
NSC	Norfolk Southern Corporation Co
NWN	Northwest Natural Gas Company C
NUS	Nu Skin Enterprises, Inc. Commo
NUE	Nucor Corporation Common Stock
ORI	Old Republic International Corp
OKE	ONEOK, Inc. Common Stock
OMI	Owens & Minor, Inc. Common Stoc
PH	Parker-Hannifin Corporation Com
PNR	Pentair plc. Ordinary Share
PBCT	People's United Financial, Inc.
PEP	Pepsico, Inc. Common Stock
PII	Polaris Industries Inc. Common
PPG	PPG Industries, Inc. Common Sto
PG	Procter & Gamble Company (The)
RAVN	Raven Industries, Inc.
O	Realty Income Corporation Commo
RNR	RenaissanceRe Holdings Ltd. Com
RLI	RLI Corp. Common Stock
RGLD	Royal Gold, Inc.
RPM	RPM International Inc. Common S
SPGI	S&P Global Inc. Common Stock
SEIC	SEI Investments Company
SHW	Sherwin-Williams Company (The)
SJW	SJW Corporation Common Stock
SON	Sonoco Products Company Common
SWK	Stanley Black & Decker, Inc. Co
SYK	Stryker Corporation Common Stoc
SPH	Suburban Propane Partners, L.P.
SYY	Sysco Corporation Common Stock
TROW	T. Rowe Price Group, Inc.
SKT	Tanger Factory Outlet Centers,
TGT	Target Corporation Common Stock
TDS	Telephone and Data Systems, Inc
TNC	Tennant Company Common Stock
ANDE	The Andersons, Inc.
TIF	Tiffany & Co. Common Stock
TR	Tootsie Roll Industries, Inc. C

UGI	UGI Corporation Common Stock	WRB	W.R. Berkley Corporation Common
VFC	V.F. Corporation Common Stock	GWW	W.W. Grainger, Inc. Common Stoc
VMI	Valmont Industries, Inc. Common	WBA	Walgreens Boots Alliance, Inc.
VAL	Valspar Corporation (The) Commo	WMT	Wal-Mart Stores, Inc. Common St
VVC	Vectren Corporation Common Stoc	WGL	WGL Holdings IncCommon Stock