



Financial Crisis Report

Written and Edited by David M. Miyoshi

Advancing in a Time of Crisis

Words of Financial Wisdom: The landlord who does not develop longer leases to encourage the development of successful business operations is damaging his own self interest.

Inside this issue:

1. Four Best Ways to Beat Market
2. WWII Has Begun
3. Talking About The Weather
4. Importance of Estate Planning

Except for the Great Depression, we are experiencing the most economically unstable period in the history of the modern world. This period will be marked with extreme fluctuations in the stock, commodity and currency markets accompanied by severe and sometimes violent social disruptions. As is typical of such times, many fortunes will be made and lost during this period. After talking with many business owners, executives, professionals and government officials from around the world, the writer believes that for the financially astute investor, this is a time of unprecedented opportunity given the global trade unbalances and distortions in the commodity and currency markets. The *Financial Crisis Report* is a free compilation of the opinions of David Miyoshi as well as of those advisors he himself subscribes to (with appropriate credits given) on how to benefit during this time of crisis. The writer receives no compensation of any kind from any advisors whose articles or ideas may appear in this report. The reader is welcomed to check on all sources of information mentioned herein. Because the opinions and observations of this writer and other advisors are provided herein without charge, the reader is asked to make his/her own judgment on the contents.

The Four Best Ways to Beat the Market

The following is an article by Alexander Green of the Oxford Club on how one can beat the market.

Studies show that the overwhelming majority of fund managers cannot beat an unmanaged benchmark like the S&P 500 or the Russell 2000. Approximately three out of four of them fail every year. Over longer periods of time, more than 95% of them do. (And research shows that ordinary investors are just as hapless.)

But a recent article in The Wall Street Journal argued that "the traditional indexes can be beaten - if you know how."

Indeed, they can. But it is harder than it looks, takes years of study, and requires a great deal of due diligence. The payoff, however, is worth it...

The best-known strategy is "the value effect," buying companies that are inexpensive relative to their sales, earnings, book value and dividends. This is the approach pioneered by Benjamin Graham and perfected by his student Warren Buffett. It offers not only the potential for exceptional performance but a high margin of safety as well, since you are buying assets for less than their intrinsic value.

The other well-known way is to buy the opposite kind of stock: high-quality, expensive ones. A study published last year by Cliff Asness and Andrea Frazzini of hedge fund AQR Capital Management and Lasse Heje Pederson, a fi-

nance professor at New York University, found that companies with above-average rates of profitability and earnings growth tend to trounce the market averages, too. These kinds of stocks tend to be volatile, however. Nothing plunges like a growth stock after an earnings miss.

We've used both value and growth strategies at The Oxford Club with great success. However, there are two other market-beating strategies worth mentioning.

The first is buying the same stocks the insiders are buying. After all, corporate officers and directors have access to all sorts of material, nonpublic information about the companies they run. That gives them an unfair advantage when they trade their own shares. So the SEC requires them to file a Form 4 detailing how many shares they bought on what date and at what price.

This doesn't just sound good in theory. Dozens of studies have shown that stocks under heavy accumulation by insiders outperform the market averages by a wide margin each year. It's not hard to see why. Insiders know the direction of sales since the last quarterly report, new products and services in development, whether the company has gained or lost any major customers, the status of pending legislation, and all sorts of other relevant data. Riding the coattails of knowledgeable insiders is one of the best ways to outperform the market averages.

However, one of the strategies that offers the highest probability of long-term success is actually the simplest. In fact, you don't have to know anything about macroeconomics, geopolitical affairs, business fundamentals or Fed policy. All you have to understand is basic hu-



WORLD WAR III HAS BEGUN

man psychology - and the tendency of history to repeat itself.

It works like this. If you see investors scared out of their wits, morose about the future, and taking their broker's name in vain, buy. And if you hear them confident about their portfolios, optimistic about the future and bragging about the size of their profits, sell. It's that simple.

The problem is it takes many years and sometimes a decade or more to get these clear-cut, table-pounding turning points. (And we aren't there right now.) But even when we are there, most investors are emotionally unable to pull the trigger. It just feels wrong to go against the herd. "And besides," they'll tell you, "I never expected to see this." (This, you understand, is something different each time: war, inflation, depression, terrorism, etc.)

If you can move against the crowd, you are that rare breed: a genuine contrarian - and your long-term success is virtually assured. If you can't, then stick to using value, growth and insider buying.

But make sure to run your stops... because someday in the future investors will once again be scared out of their wits, pessimistic about the future and taking their broker's name in vain.

And then you'll have another great buying opportunity.

D. Miyoshi

World War III Has Begun

The following is an opportune article by Larry Edelson of *Money and Markets*. In the wake of the incursion into Gaza by Israeli forces and the downing of the Malaysian Jetliner by Russian separatists, it's timely.

I hope you had a wonderful July 4 weekend last month, celebrating our country's independence with family and friends.

I did, for sure. But I was also a bit somber. Why? Because I couldn't help but reflect on the sad state of affairs the world is in today, reminding myself of a conversation I had with a colleague just over a year ago.

The colleague I was talking to early last year had asked me if ever I foresaw the world entering a state of war that could become known as World War III.

My answers shocked him. Here they are nearly verbatim ...

World War III has ALREADY started.

It is going to be unlike any previous wars in history.

Make a list of every possible type of war you can imagine, and check them all off. They are all very likely to be a part of WWIII. That includes:

International military conflict. Between China and Japan. Between Russia and Europe. Check.

Civil war. In many different parts of the world. Check.

In the Middle East, in Africa. Even in Europe, as the European Union disintegrates and the northern, richer countries of Europe are pit against the indebted southern countries and the periphery of the Union (Greece, Bulgaria, Spain).

Financial warfare via currency devaluations. Check.

Government confiscation of assets and rising taxation against the people. Check.

Increased terrorism and jihadist movements as well as domestic terrorism. Check.

North Korea increasingly rattling its saber against South Korea. Japan. The United States. Check.

Massive domestic social unrest throughout the world. Check.

Cyber-espionage between countries. Check.

Cyber-espionage by governments against its own people. Check.

Capital controls as governments deal with their debts. Check.

Further losses of liberty and privacy. Check.

Continued shooting wars around the world as citizens go off the deep end. Check.

Corporate wars over natural resources. Check.

And more!

Based upon my studies of the history of governments and civilizations,

"When core governments realize they're broke and their very existence is at risk, like what's happening now in Europe, Japan, and the United States — you get two of the nastiest sets of conditions possible ...

1. Governments turn against other governments.
2. Governments turn against their own people."

Mr. Edelson has been studying the Cycles of War for nearly 36 years, and WWIII, he said, is just beginning.

He had originally presented his results at the Weiss Wealth Symposium in January 2013 and shocked nearly everyone in the audience.

D. Miyoshi





ON WHETHER WE SHOULD TALK ABOUT THE WEATHER

On Whether We Should Talk About the Weather

The weather is probably the safest ice-breaker to avoid conversation droughts. Yet, Oscar Wilde said: "Conversation about the weather is the last refuge of the unimaginative."

But talking about the weather is about more than making small talk. It's also about being polite, finding shared interests, getting closer to others and creating trust before asking for cooperation.

The weather affects us all. It's also ever-changing, which means we have something new to talk about every day. What's more, it's easy to talk about the weather. You can share weather comments with strangers and lovers, and with superiors and subordinates. You can talk about the weather anywhere in the world. So, the weather unites people.

In a paper entitled "How about this weather?" authors Timothy Bickmore and Justine Cassel (Gesture and Narrative Language Group, MIT Media Laboratory) say that people use conversational language to establish and maintain social relationships, and to accomplish tasks. "Building rapport and common ground through small talk, intimacy through self-disclosure, credibility through 'sophisticated' linguistic style, social networks through gossip, and 'face' through politeness, are all examples of this phenomenon. These uses of language are not important just in purely social settings, but are also crucial to the establishment and maintenance of any collaborative relationship." Therefore, it is about more than getting a conversation going.

There are many types of relational configurations, for example between a boss and an employee, or between a salesperson and a client. One way to lessen the formal distance between people and to align asymmetrical conversations is to start off with small talk, like making a comment about the weather. Today, call center agents use this with great success.

Do all cultures use weather talk?

Remarks about weather do not start conversations in all cultures. Traditionally, many black Africans begin conversations by asking how the other person's family is doing. It has also been noted that in the Arab countries, where the weather is more predictable and less changeable, people will often only talk about the weather when it is extremely hot or cold.

When does a cool topic become a hot one?

It's socially acceptable to talk about the weather in general. Yet, conversations start to heat up when topics like global warming and climate change are introduced. This changes weather talks from safe conversations to ones where personal ethics and opinions come into play. Therefore, not all weather chat is impersonal and socially safe.

Is there a deeper meaning?

If it is true that your outer world reflects your inner world, what does your weather observation say about you? An example: Person A meets Person B and says: "It's such a beautiful day"! Person B responds by saying: "Yes, but it's going to rain tomorrow." Is A's remark an indication of a sunny attitude to life while B is brooding on life's storms? (Talk about fair-weather friends ...)

Weather sayings

Weather-related expressions reflect the role rain, snow and sunshine play in different cultures. In England, where the weather is often cold and wet, sunny weather has positive connotations ("a warm welcome"). In Arab countries, where the weather is mostly hot and dry, expressions with cold weather are used to convey a positive message ("news that freezes the chest"). In Ireland, they have this traditional blessing: "May the wind be always at your back, may the sun shine warm upon your face, may the rains fall soft upon your fields ..."

Can we profit from the weather?

Chris Orr, Editor of Weather Trader wrote the following article entitled "Say Farewell to Global Warming" that intimates one can profit from predicting the weather trends.

A good friend of mine just returned from a trip to Hawaii.

While she spent her time basking in the delightfully warm sun and surf, the locals kept complaining about the cool temperatures.

Well, it seems they might be on to something ...

Honolulu saw a record low temperature hit just last week, and that cooler weather is a sign of a major climate change on the horizon.





THE IMPORTANCE OF ESTATE PLANNING

For years now, we've been inundated with media stories about global warming. However, it's becoming clear that worldwide temperatures are now trending lower – with only a few notable exceptions, like the Australian Outback, parts of western Russia and the Sahara Desert.

As the Earth's atmosphere adjusts to this "new normal" of colder weather, there's money to be made ...

The Sun has All the Answers

Why are we seeing the shift from global warming to global cooling?

The answer is the sunspot cycle.

A sunspot cycle lasts approximately 11 years, and, this fall, we are reaching the current cycle's peak activity. The greater the number of sunspots, the more luminous the sun and the greater the amount of energy that reaches the earth. The earth and its atmosphere convert the energy into heat. So, when the sunspots are active and the sun is more luminous, the earth heats up. When they're not, the earth cools. However, there is a time lag because the earth stores heat.

The current peak in the number of sunspots is about a quarter of what it was in the late 1950s and, according to NASA, is at its lowest in at least 100 years – perhaps 200 years. Researchers don't know why there are fewer sunspots, and they don't know how long this trend will continue.

What they do know is that the number of sunspots and the amount of energy coming from the sun has been falling since the late 1950s. We also know from the National Climatic Data Center that the number of 90-plus degree temperature readings across the U.S. has declined since 1990. In fact, this year we saw the fewest such readings since 1930. In addition, global temperatures have been stable for the last decade.

Sea-surface temperatures, which help drive long-term weather patterns, are a little warmer than normal but have cooled by a few degrees in the last five years. Land temperatures are just starting to cool. There is a time lag between the peak of energy coming from the sun and the peak in Earth's temperatures, but researchers don't fully understand the process yet.

How Can We Play This for Profit?

In Weather Trader Service, Mr. Orr is tracking the companies, commodities and sectors that will be impacted by this "new nor-

mal" ... at the same time that many investors don't even know that this shift to cooling is already underway. That's the competitive advantage available to investors with access to advance notice of weather trends.

Cooler weather will be driving markets for the next few years, which has me looking for opportunities in everything from natural gas to furnace manufacturers, to cold-weather-apparel makers, to ski resorts. The possibilities are nearly endless, for both short and long plays.

Start thinking about how the coming decline in global temperatures might impact your portfolio and begin identifying the sectors and companies that are positioned to be the winners and losers as the planet begins to cool.

Change is coming. Those who are the first to adapt will prosper. Those who don't, won't.

There's a silver lining in every cloud.

D. Miyoshi

The Importance of Estate Planning

Many people spend more time planning their vacations than planning their estates. This is probably because the vacation will happen sooner and because it's much more fun to plan. However, estate planning is much more important but requires more time and effort. Without a comprehensive estate plan, a significant part of the work you've done throughout your life, both at your job and with your investments, can be lost or given to unintended beneficiaries. It can be a tragedy if those you intended to get your assets don't.

The purpose of estate planning is to prepare to transfer your assets to others upon your death. Estate planning allows you to specify where each of your assets goes upon your death. This involves deciding who the beneficiaries will be, what each will get, and how to perform those transfers with the minimum tax consequences, while making sure that the estate has enough liquidity to meet its obligations.

Estate planning used to be of importance only to the very wealthy. But even middle-income earners who do a good job investing throughout their lifetimes can benefit from estate planning. Regardless of how much you have, it's important to understand the basics of estate planning so that your financial and philanthropic goals are met even after you're gone.

For 2014, the estate exclusion amount was raised to \$5.34 million from \$5.25 million in 2013; and the top tax rate is now 40%.



THE IMPORTANCE OF ESTATE PLANNING



Advancing in a Time of Crisis

Before going any further, it is important to point out that property laws can vary widely from one state to another, and that estate planning is a very complex subject. This article is intended to inform rather than to advise, and should be used only as an introductory guide. As you begin the estate planning process, be sure to consult with an estate attorney and financial professional in your state.



Financial Crisis Report

Net Worth

The first step in estate planning is to figure out what you have (or guess as accurately as possible what you will have when you die). Your estate includes all of the assets you own—such as investments, real estate and other property, cash retirement accounts, life insurance, personal possessions, interest in a business, and anything else of value. If you have any debts, these should be subtracted from your assets to determine your overall net worth.

Keep in mind that the seemingly simple concept of ‘ownership’ isn’t always so simple. Sometimes an asset is owned by more than one person. For example, ‘joint tenancy with right of survivorship’ means that if one owner dies, the other becomes the full owner. ‘Tenancy by the entirety’, which only exists in some states, covers property owned jointly by spouses. And some states recognize ‘community property’ between spouses as distinct from separate property. Laws vary from one state to another, and the laws can be confusing, so be sure to know which laws apply to you if you own any shared property.

Once you’ve determined what you own, estimate how much you’ll have to pay in taxes. In addition to federal taxes, some states have estate taxes (paid by the benefactor) and some states have inheritance taxes (paid by the beneficiary). Once you’ve estimated the tax impact, you’ll have a better idea of how much your beneficiaries will actually receive.

Future Healthcare Decisions

Although strictly speaking it’s not part of estate planning, another important activity is making decisions about future healthcare. A living will is a description of how you want future healthcare decisions handled in the event that you become incapacitated and are unable to make those decisions on your own. Although this possibility isn’t pleasant to think about, it’s important to address this issue so that your wishes can be followed even if you aren’t able to communicate them at that time. Living wills specify such things as the use of life-sustaining procedures and artificially provided nutrition.

“Durable power of attorney” is a status which you can confer to another person (such as a spouse or other close relative), enabling them to make decisions on your behalf if you can’t make them on your own.

An “advance directive” (sometimes called a “healthcare directive”) combines a living will and durable power of attorney, either in one document or two separate ones.

In addition to an advance directive, you might also want to consider conferring power of attorney for your assets, to be sure that your financial wishes can be acted on in the event that you become incapacitated.

If you don’t have any of these documents set up, the state laws will make these important decisions for you if you ever can’t do it on your own. These decisions may not be what you would want.

So be prepared and do it yourself. Your beneficiaries will thank you for it.

D. Miyoshi



David M. Miyoshi is a California attorney and real property broker, having earned a Bachelor of Science degree from the University of Southern California, a Juris Doctor degree from the University of California, an MBA degree from Harvard University and an international graduate degree from Waseda University in Tokyo.

He is CEO of Miyoshi Capital LLC, an international investment advisory company. In Vietnam, he led a Combined Action Platoon as an officer in the U.S. Marine Corps.

He is listed in 14 Who’s Who publications and specializes in international business and finance.

Past issues of the *Financial Crisis Report* can be found at the company website www.miyoshicapital.com



1055 Wilshire Blvd.
Suite 1890
Los Angeles, California 90017
U.S.A.

Phone: 310-378-0615
Fax: 310-378-0000
E-mail: david@miyoshicapital.com
www.miyoshicapital.com
<http://about.me/dmiyoshi>

