PUBLISHED BY MIYOSHI LAW

INTERNATIONAL & ESTATE LAW PRACTICE

August 2016

Volume 1, Issue 58

Financial Crisis Report

Written and Edited by David M. Miyoshi

Advancing in a Time of Crisis

Words of Wisdom: "Everybody thinks of changing humanity and nobody thinks of changing himself" Tolstoy

Inside this issue:

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.

Can Stocks Predict Who Will Be U.S. President?

While on a recent business trip to Japan, a client asked me how U.S. business will be affected in 2017 by who becomes President. I informed him that was a relatively easy question to answer because both candidate's own expressed platforms favor certain industries.

For instance, if Hillary wins, the winners will be hospital and insurance companies. The losers will be Big Pharma and biotech companies. That's because Hillary is threatening to put a cap on drug prices.

If Trump wins, the winners will be Big Pharma, biotech and medical device companies because a Trump victory could hurt healthcare, IT companies, insurance companies and hospitals. These are the companies that made out big from Obamacare - and Trump wants to do away with it. On the other hand, defense contractors would benefit because of Trump's vow to strengthen the military.

But, this begs the bigger reverse question of whether business itself (i.e. the stock market) can predict who the president will be.

According to Daniel Clifton at Strategas Research Partners, the S&P 500 has correctly "predicted" the winner in 19 of the past 22 presidential elections.

In this case, the prediction method is simple: If stocks are higher over the three months before the vote, the incumbent party wins; if stocks fall over this period, a new party wins the White House.

So with Hillary Clinton representing the Democratic Party and Donald Trump on the Republican side, Clinton would win if stocks rise between August 8 and November 8.

Otherwise, this method suggests, we'll have President Trump.

Clifton asserts intuitively, this trend makes sense. If the economy is weakening, stocks should be declining and the incumbent party will likely suffer. Moreover, should it look like a new party is to take control of the White House, the change in control could add uncertainty to investors until the new President gets his or her rhythm.

In fact, it has been found that "open" election years, a year in which no incumbent is up for re-election have been tougher for stocks than presidential reelection and non-presidential election years. Interestingly, stocks have rallied in the past two (and rare) instances when a political party has received a 3rd term.

The S&P 500 increased 30 and 27 percent respectively in the year after Harry Truman won in 1948 and George H.W.

Can Stocks Predict Who Will Be U.S. President?

Bush won in 1988.

So, as Clifton notes, there's a little bit of a chicken-or-the-egg thing going on here. Stocks tend to react to trends in the economy: Investors pay more for stocks if expectations of future earnings increase and pay less if these expectations fall.

The presidential race, in turn, tends to react to economic trends as voters feeling good about current and future prospects tend to favor incumbent candidates and their parties while reversals of economic fortune most likely lead voters to seek change.

In this way, maybe it isn't so much that stocks "predict" the election outcome as stocks tend to reflect the economy's overall trend, which in turn affects voters' decision making.

So this means Hillary Clinton will be rooting for stocks to rally. And Trump, who has said the market could be heading for a fall, will be better off if stocks tank as Election Day approaches.

With that said however, if the "Big Boys" Warren Buffet, John Paulson and George Soros have anything to say about the matter, it doesn't look good for Hillary.

Despite the stock market's recent record run and Obama's assurances that the economy is getting better, these billionaires aren't convinced. In fact, their recent actions suggest some sort of market crash is on its way. Do they know something you don't? Not really. The data is out there for everyone to see. Unfortunately, Wall Street is too busy ignoring the warning signs.

The stock market is supposed to be a reflection of the economy, but right now, it isn't. That's because most Americans aren't even aware we're in the midst of a recovery.

Not unlike the stock market, the U.S. economy looks good "on paper". The U.S. unemployment rate is under six percent, interest rates are low, and the economy is picking up steam.

But dig a little deeper, though, and you'll discover that the underemployment rate is still at an unacceptable 14.6%, wages are stagnant, personal debt levels are high, and one in seven Americans are on food stamps. Plus, more than half of Americans are still living paycheck to paycheck.

For the world's biggest economy, these are not the makings of an economic recovery. Nor are they the foundation for sustainable economic growth, especially when you consider the fact that the U.S. gets more than 70% of its gross domestic product (GDP) from consumer spending. This might explain why some of the country's wealthiest investors are dumping certain U.S. stocks.

It's quite possible that Warren Buffett, John Paulson, and George Soros also think U.S. stocks are in a bubble. And why not? Stocks have a price-to-earnings ratio of 25.67. Over the last 10 years, that average has been 15. Stocks are currently priced 71% higher than their 10-year average.

If the economy and strong corporate earnings and revenues haven't been driving the stock market higher, then what is? The stock market has been doing well because it's the only avenue investors can turn to.

In 2008, the Federal Reserve introduced its first round of quantitative easing (QE) to help kick-start the U.S. economy after it slipped into a recession. It was hoped that by artificially lowering the short-term lending rate to nearly zero, banks would more readily lend money to both businesses and individuals.

The low-interest-rate environment did three things: it essentially took "income" out of once-reliable, stable, fixed-income investments like Treasuries, bonds, and CDs; it made it easy to borrow money; and it also meant that the stock market was the only avenue for investors looking to make money.

After six years, the Federal Reserve has turned the easy money taps off. This is bad news for stock investors since the low-interest-rate environment is generally recognized as being the fuel that has propelled the stock market increasingly higher.

Overvalued stocks are going to have to rely on real reve-

Are Women Better Investors than Men?

nues and earnings to propel them higher. Judging by the shape of the U.S. economy, this is going to be a difficult task. In 2013, the year that the overall markets soared, U.S. GDP growth was just 1.9%. For 2014, U.S. GDP grew 2.4%. In 2015, the advance estimate for U.S. GDP growth was 2.4%, the same rate as in 2014.

Also, the global economy could have a real drag on the U.S. economy in 2016, especially after Brexit. The IMF cut its outlook for global growth in 2016 to 3.4%. This is bad news when you consider that roughly 40% of the public companies that make up the S&P 500 get sales from Europe.

The outlook for the stock market looks bleak. Buffett, Paulson, and Soros understand this. And the reality of the U.S. economy has led them to see there is a real good chance the U.S. markets could experience a crash or serious correction in late 2016.

So this does not bode well for Hillary. Along with issues of lying about emails, bungling the Benghazi raid, and making it big on the sly with Wall Street firms, Hillary has to be very concerned about what her husband Bill once quipped "It's the economy stupid."

It's interesting to note that since stock market data has been kept, there has never been a 10 year period that our economy did not go into a recession. Since the last recession ended in 2009, that means if we do not go into recession by 2019, it will be the first time in recorded history of that occurring.

In any case, we will be waiting to see what happens in the stock market in the next 3 months.

You can be sure Hillary and Donald will also be watching.

D. Miyoshi

Are Women Better Investors than Men?

Research shows that it pays to invest like a woman.

According to Grant Wasylik of *Uncommon Wisdom Daily*, women have investment skills that men can definitely take advantage of.

Wasylik recalls that when cortisol (a stress hormone) is added to the investing equation, you see a big divergence between men and women investors.

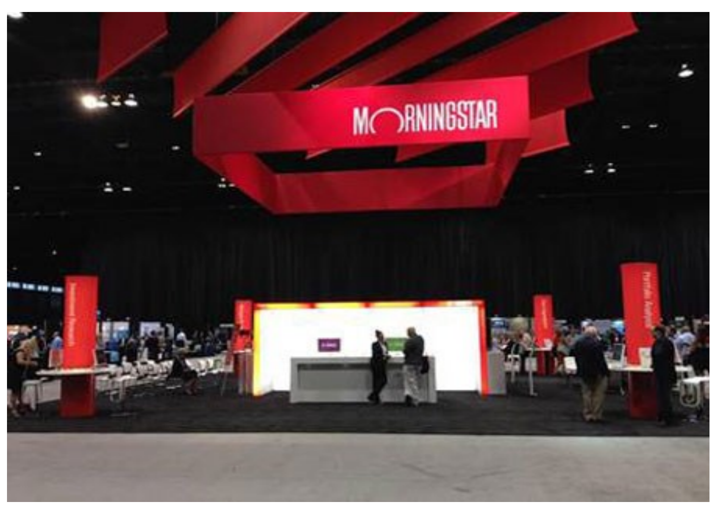
When cortisol goes up, it interacts with testosterone. And that can mean men end up taking more risks.

So, Wasylik dug up his notes from 2015's annual "Windy City" investment gathering to share some more information with us.

The investment gathering was titled: "Do Professional Women Investors Behave Differently Than Men?"

Laura Lutton (Morningstar), Dr. Abby Sussman (University of Chicago Booth School of Business) and Meredith Jones (MJ Alternative Investment Research) were the presiding panel experts.

Jones did the majority of talking from the group. Her extensive research showed women invest differently — and better — than men over time.



Are Women Better Investors than Men?

She put her knowledge and data into a book about why female investors outperform male investors: "Women of The Street: Why Female Money Managers Generate Higher Returns (and How You Can Too)."

Jones isn't the only one to arrive at this conclusion...

Reputable investment management company Vanguard studied 2.7 million IRAs. Vanguard analysts found women outperformed men by 3% during the 2008-'09 financial crisis.

And an older study conducted by University of California-Davis professors Brad Barber and Terrance Odean highlights female outperformance, as well.

Since various studies have proven women are better investors than men, you would think women would be more prevalent in the financial world...

But they are not...

According to Jones' body of research, women make up 5% of all U.S. people who take risk with capital... less than 10% of U.S. mutual fund managers are women... and there's an insane 80-to-1 ratio of male to female hedge fund managers.

Jones even kicked in another odd statistic from hedge fund land...

There are 11 male hedge fund managers named John, James, William or Robert for every one female hedge fund manager. (I'm sure these numbers have changed in the last year, but probably not by much.)

What can financial advisers and institutional investors do to improve the pipeline problem — or lack of women in finance?

You can start by setting an example. Jones advised:

- Educate yourself on female investment managers.
- Mentor women in your organization.
- Interview at least one woman for every position. (You don't have to hire them.)

Getting back to Jones' book, she suggests the following reasons for why women make better investors than men:

Women have less overconfidence ... less of a tendency to overtrade ... lower testosterone ... greater tolerance for market "noise" ... and a more consistent application of investment strategies.

Wasylik caught up with Jones after her speaking engagement concluded last June and asked her:

"*If men could take any advice from women on investing, what could it be*?"

Here were her recommendations:

- **Maintain a long-term perspective.** It's a more profitable approach. Women trade less (single men trade 67% more than single women). And women are less likely to sell in a panic (10% less likely to sell at the bottom of the market in a crash). It's not surprising that men check their brokerage account two times more than women do.
- **Act, but don't react**. If an investment isn't working, actively investigate whether it's a short-term or long-term problem. Don't react immediately or sell prematurely if the investment thesis still makes sense. Often, doing nothing is the appropriate "action."
- **Look for investments that are not the current "in thing."** They often have lower volatility because they don't have "the herd" driving prices up and down. Women have shown more of a tendency to avoid the herd.
- **Be realistic about opportunities**. Avoid the over-

confidence trap. Men have a larger tendency to be optimistic about investment outcomes. They overestimate expected returns. Women do a better job of matching expected results with actual results.

- **Implement rules to manage emotions**. Many women traders use stop losses, position sizing and precise buying criteria to stay focused on — and not fall in love with — investments. These types of protective tools can save your portfolio from devastating losses.

You might be able to implement some of this advice into your own investing style.

But there might be an even bigger way to make an impact...

Are you a husband who is running solo with all investment decisions? If so, it might be in your best interest to consult your wife on future investment moves. Or at least, ask her if she wants to be involved.

If she's game, we are not saying hand over the reins entirely (even though the research argues for it).

But who knows...

The input from your wife — and a team decision-making approach — could possibly save you unnecessary commission costs, dial down portfolio risk and potentially boost your future investments returns.

Here is to both of you making good investments.

D. Miyoshi

Do We Have to Vote?

This U.S. presidential election comes down to choosing between the two most distrusted and loathed individuals on the campaign trail. Do we really have to pick our poison this way?

The first, a loose reality-TV star with a hot wife who will say whatever pops into his head. The second, a tightly controlled Lady MacBeth… who will say (or do) nothing unless it advances her ambitions.

You remember the famed Scottish historian Alexander Tyler who stated:

“A democracy is always temporary in nature; it simply cannot exist as a permanent form of government. A democracy will continue to exist up until the time that voters discover that they can vote themselves generous gifts from the public treasury. From that moment on, the majority always votes for the candidates who promise the most benefits from the public treasury, with the result that every democracy will finally collapse due to loose fiscal policy, which is always followed by a dictatorship."

Well, in addition to being temporary, maybe a democracy is fraudulent as well.

After all, it pretends to put the people in charge. But, in reality it picks their pockets and cheapens their lives. They willingly and enthusiastically participate in its solemn deceits — its elections, its wars, its taxes, and its hangings. They not only want to vote… they also believe they have an obligation to tell others that it is their civic duty to vote.

It’s as though the entire thing might fall apart if any dog escapes the kennel (I love dogs and can well understand why they would want to escape a kennel). The people feel that we all have a duty to support the system, no matter how much it swindles us.

And so, we are bid to stand in line… to cast our ballot… and thus to join in the ritual humbug — the national election. More important, we are asked to believe things that are palpably and provably untrue.

“Every vote counts!”

Really? Statisticians have worked it out. The odds your vote counts are vanishingly remote. You may as well stay home; it won’t make any difference. Just ask the Bernie Sanders voters.

Money and Morals

"If you don't vote, you're giving a vote to the other side." On the other hand, by not voting, you're denying both candidates your approval. And if you are in a non-swing state like me (California), no matter how fervently I vote as a Republican, it won't make a difference.

"If you don't vote, you can't complain." Well, at least the one who did not vote can say "I didn't have anything to do with it".

What about the plea — "Pick the lesser of two evils"

But isn't that what German voters said to themselves in the election of 1932… which left the Nazis as the biggest party in the Reichstag. On the one hand were the socialists and the Bolsheviks. On the other was that bulwark against chaos: Mr. Hitler. He was the "lesser of two evils," they said. And maybe he was. But who, in 1945, would admit to having voted for him?

Ms. Clinton? Mr. Trump? How do you ever know which is the lesser evil? And why would you want to approve any evil… no matter how much lesser it is?

Why would you want to get involved at all?

"Doing Our Part"

But wait… that's the way myths work, isn't it?

We ALL have to believe. We all have to be complicit… whether it means throwing a virgin in the volcano… or handing out rations in a gulag.

We are all implicated… we are the "trustees" of the Deep State's prison system… ready to "do our duty" to preserve the status quo.

They could never have built pyramids if people hadn't believed that they served some higher purpose… if the gods themselves hadn't commanded it…

…Napoleon could never have invaded Russia if his soldiers had stopped to ask: "Uh… why do we want to march all the way to Moscow and back in the wintertime?"

…and now, we would never elect Donald Trump… or Hillary Clinton… unless we believed that somehow the gods of democracy sit in judgment… requiring that we all "do our part."

But maybe the gods don't give a darn.

On Election Day, we could stand in line with millions of others to participate in building pyramids for our 21st-century gods.

Or we can take our dog for a walk. If we take the dog, we know the world will be a better place in that two creatures will be a little more healthy— albeit in a small measure.

And if we were to choose to vote… we should ask ourselves, "Would Jesus vote for Trump or Clinton?"

D. Miyoshi

Money and Morals

I admit some of my colleagues have put me on a guilt trip for making me think I have made money investing in morally bankrupt companies. But I would like to proffer that those who use ethics to guide their investment decisions are losing out on rather profitable gains.

For the past few decades, business, law and medical schools have offered classes in ethics with the idea that these classes will make the protagonist of the company, firm or practice operate it in an ethical fashion, for the good of society. It is likely these classes have been mildly successful, if for no other reason than to make the student aware that there is such a problem in our society.

But as investors, our primary objective is to maximize the return on our capital that we invest in these entities short of breaking the law. Thus to invest our money into an illicit drug operation is out of the question, no matter what the potential return is promised to be. On the other hand it would be financially foolish to refuse to make an otherwise sound investment into a company because you feel it makes a product that is not politically correct. Feelings can make you financially foolish.

Andrew Snyder, Editorial Director of the Oxford Club, a renowned investment advisory organization writes that

Money and Morals

feelings can be a stumbling block to your financial success.

Snyder profess that when it comes to turning one buck into two, we need to understand our brains and the way we think.

After all, on our quest to make serious money, feelings and emotions are one of the biggest roadblocks.

Let me show you.

Monsanto (NYSE: MON) is a perfect example. The agricultural chemical company stirs emotions in just about any investor who studies it. In fact, it was recently voted the most unethical company in the world... and yet it's in the midst of a huge high-stakes acquisition that could drive shares significantly higher.

While some folks have made a fortune from the stock, others are convinced it should change its name to MonSatan.

There's no doubt, despite the controversy, the stock would have been a powerful force in any portfolio over the last decade.

Alex Green has long recognized the power of this emotion-stirring stock. It was a former recommendation in the market-beating Trading Portfolio within his *Oxford Communiqué*.

But Alex argues Monsanto isn't the devil's company. It's doing a job the world depends on.

"Here's the real story in a nutshell," he told his readers. "More than 7 billion people on this planet wake up hungry every day. There is not enough arable land to feed them non-genetically modified foods raised organically and without the aid of fertilizers or pesticides.

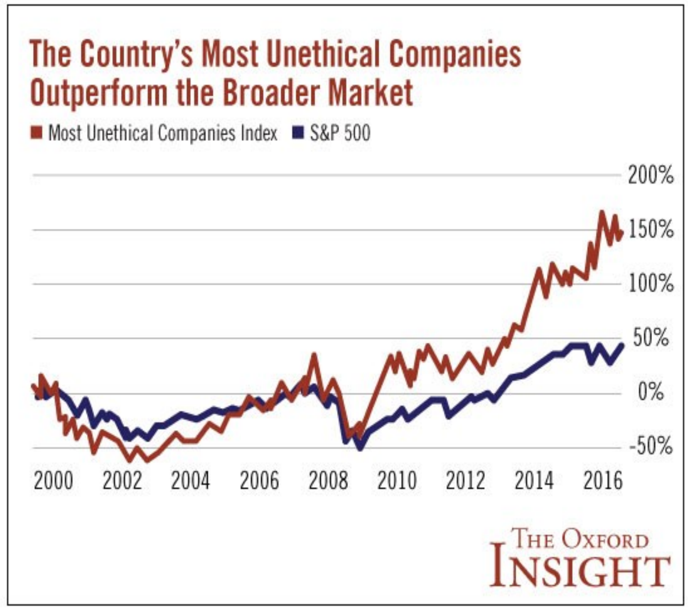
"Fortunately, the average yield on a typical American farm today is tenfold greater than farms of a century ago. You can thank Monsanto for much of this. Its genetically modified seeds increase yield, decrease production costs and allow large-scale production of a consistent commodity."

Again, investors who are able to curb their emotions and who have looked solely at the underlying business and its numbers have been treated to strong, life-changing gains from Monsanto.

I know what I'm writing will be controversial, but it's a similar story for a slew of "unethical" companies.

To prove it, we did some digging. We did some research to see just how good these supposedly evil companies are to investors.

The results were incredible.



The chart above shows the performance of the nation's top five "most unethical" companies versus the market benchmark S&P 500.

The bad guys beat the market by more than three to one.

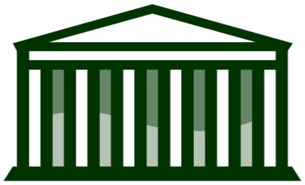
To be clear, we're not talking about "sin stocks" here. These aren't casinos, alcohol providers or gunmakers. Instead, these are industrial companies that the Swiss research firm Covalence determined have unethical business practices. It measured things like labor practices, waste management and media reports.

You certainly know most, if not all, of these companies. It's quite likely that you even own a stake in them.

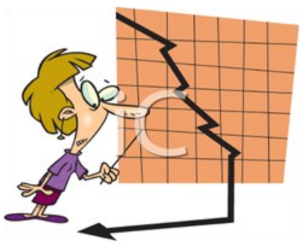
The most unethical companies in the world are...

1. Monsanto Co.
2. Halliburton Co.
3. Chevron Corp.

Money and Morals



Advancing in a Time of Crisis



Financial Crisis Report

4. Freeport-McMoRan Copper & Gold Inc.
5. Philip Morris International Inc.

Each company makes the list for different reasons. Philip Morris earns a spot, of course, for its work to conceal the dangers of smoking. Freeport-McMoRan has run into trouble as it's worked to get mining rights from folks who may not quite know what they're signing over. And Chevron, well, it's dealing with environmental issues as well as alleged tax evasion, and it's still feeling the fallout from a 1998 episode that left folks protesting its operations dead (all charges were dismissed).

There's no doubt these companies are charged with serious allegations. But let's not forget, companies that trade on American exchanges are put through extreme scrutiny. Each of these firms must deal with growing environmental and industrial regulation.

In other words, despite oft-hyped media claims, all of them are doing legal business.

That's critical.

I can't tell you how your own ethical beliefs should affect your investment decisions. I certainly have my own ethical limits. But I can tell you these "unethical" companies have provided some of the strongest, most reliable returns on the market.

Remember, the mission at The Oxford Club is to build and protect the wealth of its members. They could not be doing their job if they only subjectively scratched these names from their list.

It's not a black-and-white choice.

To make it a bit clearer, they have also compiled the same research for the nation's "most ethical" companies. Again, the results are incredible.

We will publish this in a later edition.

For now, do this. If your emotions are driving your investment choices - if you're feeling queasy about investing in stocks like the ones listed above - write down why. Dig into it and list your rationale.

It will bring clarity to your choices and will help you home in on the core of your emotions.

If you want long-term investing success - if you want to make money and keep it - understanding and controlling your emotions is vital.

You must know why you make the choices you do... and the potential consequences of those decisions.

By doing this, you'll have much more clarity. And, definitely, you'll still be a good person.

D. Miyoshi

David M. Miyoshi is a California attorney with a Martindale-Hubbell AV Preeminent Rating for Attorneys. He earned his 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 Managing Attorney of Miyoshi Law, an International Law Firm where he approaches legal issues through a commercial lens and is a trusted legal and business advisor to his corporate and estate clients. In military service in Vietnam, he led a Combined Action Platoon as an officer in the U.S. Marine Corps and received the Naval Commendation Medal with "Combat V".

He appears in 14 Who's Who publications throughout the world and is listed as a specialist in international business, real estate and estate planning.

Past issues of the *Financial Crisis Report* can be found on the law office website www.miyoshilaw.com

Miyoshi Law

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

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