


Buy and Hold Is Dead

A close-up photograph of a hand in a light-colored shirt sleeve, firmly grasping a wad of US dollar bills. The bills are slightly crumpled and fanned out, showing various denominations. The background is a solid, muted green color.

How to Make Money
and Control Risk in Any Market

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*How to Make Money and
Control Risk in Any Market*

THOMAS H. KEE



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To Christie, who always helps me
find my Comfort Zone.

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The Comfort Zone

A Lifestyle for Today's Investor

Managing risk is something most investors are not used to. Money managers and brokers tell us to just add more, stay invested at all times, and they tell us we will make money over time if we do. During the past 10 years, we have learned that advice cannot be trusted. In fact, all major averages are negative over a ten-year span. Buy and hold investors have gotten nowhere, but behind. Not only has “buy and hold” failed, but given the current and future economic environment, this pattern is likely to continue for many years. For now, buy and hold is dead.

This book will detail the current and future economic conditions facing the world using a demand-side analysis. This is a proprietary study. Although it is revealing of cyclical trends and therefore an integral tool to actionable policies, most investors will gather one universal truth. We all must control our risk because the economic weakness is not over.

Professional traders and investors do this every day. They specialize in risk control. Using rule-based trading strategies, they can limit their losses and maximize their returns regardless of market direction or economic conditions.

Unfortunately, most normal investors have not been able to accomplish the same. Most do not have time. Instead, they rely on managers who are in the business of collecting fees and staying invested at all times. Not only does that create a conflict of interest, but that old-school approach has cost the investing public trillions of dollars in recent years.

Managing Risk Is Not a Choice, It Is a Requirement

Everyone needs to manage risk, but that presents obvious problems to normal investors. With a conscious understanding of the limitations normal

investors have, I have developed a strategy that anyone can use to gain an edge over institutional investors. I am going to reveal rule-based strategies that can be used today to help manage risk and realize opportunity without sacrificing time or lifestyle. Normal investors will no longer sit at the mercy of their mutual fund or money managers, and take blow after blow from the market. Instead, by leveraging the nimble reflexivity of non-institutional investors, I have produced a strategy that gives normal investors an edge. The playing field has changed, and from this point forward, smaller investors have the upper hand.

However, no one said investing was easy. It is tough sometimes. Thankfully, most of the time it is much harder than it has to be. We have all been brainwashed by big brokerage firms, and it is time that someone stood up and was heard. In fact, most people should be screaming at the top of their lungs. Brokerage firms care more about generating fees than they care about your wealth. Once we all realize that, we will all take the time to learn how to do it ourselves. I am going to lay out the plan, give you specific strategies, and point you in the right direction, but you need to want to move forward. Stop being a pawn in the game immediately and stay ahead of the curve from now on.

This book is a catalyst to financial independence. You cannot rely on your money manager to protect your wealth. This is a responsibility we all must assume for ourselves. The collapse of 2008 has proven that already. Therefore, the next step is to move forward with wealth preservation in mind. That is the reason I have written this book. I want you to know that you can do better than your money managers and make money in a volatile market, and I am going to show you how to do it.

The market, by which I mean the U.S. stock market, offers everyone unique opportunities to make money *all the time regardless of market conditions*. All we need to do is recognize them. Rationally, sometimes that is easier said than done. However, that overused phrase doesn't apply all the time, either. In fact, I dispel many similar myths in this book, and I will point you in a direction so that you can embrace the volatile conditions of today, and the oscillating market cycles of tomorrow, with ease. I will introduce you to the Investment Rate model, which is a combination of tools that will help you protect your wealth and realize opportunities for the rest of your life. If you are reading this book as a result of your distress given the market declines of 2008, after my strategies are revealed you may consider the pain of 2008 to be a most valuable blessing. From here, you will find the way to a better lifestyle, something that can be embraced forever. The lasting impact of my strategies will change the way you approach your investments in the market, in real estate, or in private business by allowing you to grow without exposing yourself to the risk of loss such as you may have experienced in 2008.

Rule-Based Strategies Are Integral

For you the investor, it is time to start moving forward. However, forward is not one-directional. Opportunities surface when the market goes up, and when the market goes down. Your prospects are only limited by your own obstacles. Fortunately, those impediments can be overcome, and showing you how is my mission. I am going to offer strategies that work in both up and down markets, that adjust by themselves, and that keep you on the right side of the curve at all times. More important, though, I am also going to reveal a refined approach to market strategy that removes your personal limitations and allows you to take advantage of opportunities whenever they arise. Included here is a model for wealth management, and risk control, too.

This book should be of interest to all investors, whether in the stock market, real estate, or personal business. The investment strategies I offer in this book have kept my clients on the right path through thick and thin, and they can do the same for you. My clients include government officials, businessmen, doctors, lawyers, professors, hedge fund managers, investment advisors, independent investors, managers, retirees, and employees from all industries, from many parts of the world.

My clients have found solace in my process. I make current and ongoing investment decisions easier. This goes a long way in down markets, but the process works when the market trends higher as well. The quantum of solace that I am able to offer to my clients reverberates through their lives. It transcends mere investing and it better lifestyles. I will provide that same leadership to you. It will impact your quality of life as well.

Do you hesitate to proceed, unwilling to embark on a complex discussion of economic and investment theory? If so, I understand. Therefore, I will also keep it simple. In that way you will have a clear understanding of current and future economic trends. Knowing the direction of the market in advance will aid you with your investment decisions going forward. Most important, you will end with a complete understanding of the proactive investment strategy best suited for you. Everyone can do this. Proactive strategies incorporate risk controls that protect your investments from loss, provide opportunities at all times, and are the direct catalyst to profitability and the preservation of your wealth. These strategies work regardless of market direction and in any economic environment, and I'll explain how. You just need to take the first step by reading this book. From there, everything else will fall into place.

The Ultimate Goal

My ultimate objective is to bring you to the comfort zone. This is a place where your investments no longer negatively affect your emotional state.

This is where market woes no longer stifle your personal life. This is a place where you will be comfortable with yourself, your decisions, and your direction. Ultimately, this will help you live a better life, and that should be your personal goal. This can be achieved when you become secure with your decisions and comfortable with your investment choices. Therefore, my goal is to provide you with that opportunity.

To reach the comfort zone, you will need to embrace change. You will need to extract and employ the innovative ideas and strategies that I will teach you. However, not all of these have been accepted by the mainstream investment community yet. I assume that they will be at some point, but to many my approach will be different than anything they have found before. This may not be easy for you, but important decisions never are. Without a doubt, the market has already told us that we need to make these decisions, and this book makes them much easier. Aspiring to reach the comfort zone is in itself a life-changing decision. Thanks to the declines in 2008, you might also recognize the need to change your investment strategy for the first time too.

Warren Bennis, founding Chairman of the Leadership Institute at the University of Southern California, has noted, "Innovation by definition will not be accepted at first. It takes repeated attempts, endless demonstrations, and monotonous rehearsals before innovation can be accepted and internalized. . . ." I believe that the disciplined approach associated with the strategies I offer is the cornerstone of investment success. The results of my innovative approach have been extremely rewarding to my clients already.

Peter Drucker may have said it best. This renowned author and professor explained, "Innovation is . . . the act that endows resources with a new capacity to create wealth." That is exactly what I do. Through this book I will empower your current resources to create wealth going forward and make money in a volatile market.

Think Outside of the Box

Are you still unsure about employing concepts that are not yet widely accepted? Consider then the fame of Deepak Chopra, named recently as one of the top 100 icons of the current era, according to *Time* magazine.

Deepak Chopra is considered an innovator and a leader in the field of mind-body medicine. He has transformed the meaning of health by incorporating the best of Western medicine with natural healing traditions from the East. In essence, he has changed the art of healing with innovations that were strongly resisted when first introduced in the West, but which are now widely accepted by educated persons across the globe.

Deepak Chopra teaches a system of healing and preventive medicine that dates back 5,000 years. Originating in India, Ayurvedic medicine is

now popular in many social circles because it helps balance mind, body, and soul. It is the science of life.

The popularity of this science is based on its ultimate objective. His Perfect Health Course can help free people from disease, aging, and death. This sounds like a far-reaching goal, but he has already indisputably proven that it works. Our elite are believers in his system right now, and the masses are starting to recognize its healing power every day. The root of this power lies within ourselves. In fact, in order to liberate ourselves from sickness or pain, we need to tap into our awareness and bring our lives into balance.

Changing people's minds about long-held beliefs was necessary for Deepak Chopra to gain Western acceptance of his teaching. I aspire to a similar goal in the field of investment strategy.

In fact, some of these same principles apply to our investments. The Perfect Health of our portfolios also lies within. Emotional balance is required. Liberating ourselves from the sickness and disease that flare up regularly in our portfolios is critical. Poor investment strategies often cause our investments to decline and that in turn troubles our minds and burdens our lifestyle. These losses hurt our pocketbook, and that affects our psychological approach toward new investments in a meaningful way. Eventually, that could also have a negative impact upon investment performance. Understandably, that happened to many people in 2008. It may have happened to you. In this book I will teach you to deal comfortably with the occasional losses that even the best portfolios will suffer. In some cases, I will show you how to avoid these altogether too. This is my goal. I will take you to the comfort zone, and that path starts with recognition.

The Comfort Zone Lies Ahead

You will not be alone. Thus far, many investors have already taken the steps to get there. Many elite investors have been using my system for a long time. My work is regularly published through various media channels, I have been featured in *Barron's*, I write an article for MarketWatch every month, and I was nicknamed the Grim Reaper by Erin Burnett on CNBC for predicting the demise of our stock market in the middle of 2007. Reuters provides my Economic and Market Analysis to its institutional clients every day, and I operate a website that serves my broad audience. These and other Tier 1 clients have already realized the value of my simple, yet effective approach and they have embraced my strategies.

Now my path leads to you. In the chapters that follow, you too will learn how to understand current economic and stock market cycles, how to anticipate future economic and stock market cycles, and how to position yourself so that your investments never become a burden again. You will gain a comprehensive understanding of the proactive trading strategies

that I use regularly. One or more of these strategies will be immediately actionable for you, too. They integrate both risk control and opportunity in a methodical, structured, and easy-to-follow design that can be used at all times. They will empower you to invest successfully, no matter what the economy or stock market may seem to be suggesting.

Your journey to the comfort zone is about to begin.

Thomas Kee
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Acknowledgments

Economics is all about people. Without knowing that, I would never be in the position I am today. Thank you, Mr. Wingate. Also, in fond memory, thank you, Jack Frager. You and Tom McMullen started me on my path. This book would have never been possible without each of you.

In addition, uniquely, I would like to thank everyone who believes that the current way is always the best way. My innovation would never be possible without you. You have driven me to think outside of the box, you have driven me to believe that the impossible is possible, and you have given me something we like to call Tommyland. Life is a little different here. Believe me, it is possible!

The Investment Rate

The Investment Rate is the core of all of my analysis, and it is the catalyst for all of my trading strategies, too. It influences everything we do. Given the sweeping importance of this tool, I will start our discussion on how to make money in a volatile market by explaining the origins and properties of this tool and then build from that foundation as we move forward. Although proof of the Investment Rate is important, the discovery process itself is equally important as it reveals the simplicity of this model. Therefore, I think it is important to address this first. So, let's begin.

Economics Is All About People

My empirical journey to the land of economics did not begin with a Harvard MBA, or a doctorate from MIT. My drive to be the economist and independent market strategist I am today started another way. In fact, I confess that economics bored me in college. Although my grades were at the top of my class, I could barely stay awake during lectures. Initially, all of it seemed boring. The study of economics came easily to me, but the thought of applying those tools in the real world cast me from the science at that time. I was extremely social, and crunching numbers in a small office while surrounded by my intellectual peers seemed like the last thing I wanted to do. I was studying the works of Karl Marx, Thomas Malthus, and John Maynard Keynes, to name a few. The chairman of the Federal Reserve was Alan Greenspan, but he was not any different from the rest of them in my eyes. They were all bookworms; they were all number crunchers; and they all seemed to accept a lifestyle that did not interest me. Although I respected these intellects, I also feared the life that awaited me if I chose their path.

Without question, I was not a bookworm. Economics was just second nature to me. The number crunchers who were my peers in school had to work a little harder to achieve the same marks, but they did well and seemed satisfied with their results. Unfortunately, I was not satisfied with

mine. Instead, to become satisfied I had to push myself in a different way. I did not need to study as much, but I needed to find motivation somehow. My peers already had it. Grades motivated them. However, because good grades came easily to me, that was not enough. There had to be something more, I thought, but I was not seeing it then. Every day my frustration grew, and I distanced myself from the science that I now find so compelling.

Imagine having a gift and not wanting to use it. What if you were a swimmer of the caliber of Michael Phelps but you decided that swimming was boring? What if you used to beat Kobe Bryant on the court when you were a child, but you stopped playing basketball because you did not like it anymore? What if your name was Tiger Woods, but because playing golf required so much patience, you decided to run track instead? I am not claiming to be in the same league as these athletes, but I did (and still do) have a skill, and I was not pursuing it appropriately. That was a major hurdle. Over time, I have found that everyone has hurdles like this. Helping us overcome them is one of my objectives. Everyone needs motivation—a drive, and a reason to move forward. I too was in desperate need of motivation as I pondered my future in relation to this wonderful science, which bored me before I completely understood it.

Luckily, my abilities and my diverging interests were clear to those who knew me. My economics professor at St. Mary's College of California, Stanley Wingate, sat down with me one afternoon after observing my disparaging attitude. Economics was already his life and his passion. Gracefully, he wanted to share some of his motivation with me. I cannot thank him enough for that simple half-hour conversation; it changed my life.

During our conversation, Professor Wingate explained that economics is all about people. If you understand people, you can understand economics. If you understand economics, you can understand people. Amazingly, in a blink of an eye, I found a parallel between my social activities and my education. I love interacting with people, and economics came easy, so synergies popped up everywhere. Eventually, I realized that economic theories—such as Random Walk theories—have a much broader range than just identifying opportunity. They apply in explaining many aspects of our social behavior. It is not about numbers; it is about people. Thanks to Professor Wingate, I was able to see this for the first time, and my eyes began to open. Almost immediately, I found correlations. Soon economics compelled me more than I ever thought it could.

Excited, I was motivated to move forward and to apply my new passion to my career. I did this by subtly changing the way I looked at the world. In turn, that opened a series of doors and provided endless opportunities for both inner growth and the expansion of my career. My transition was seamless and empowering at the same time. Eventually, I realized that this same simple revelation could change the perception of economics for