

## Profit from the Panic!

October 10, 2008 | By Adam Khoo In [Investing](#) | [Comments\(3\)](#)

Dear Investors

What you are seeing now in the market is a PANIC!!!! People who have seen their stock value drop by 50% or more cannot take it and are just selling at whatever price they can.

Hedge funds, institutions and people who have borrowed heavily to buy stocks in the last few months, are not able to meet margin calls and are forced to sell. As individuals run to the banks and withdraw whatever money they have left, mutual funds are forced to sell their stock and raise cash to meet this withdrawals. So everyone is SELLING SELLING SELLING at whatever price they can get.

On the other hand, many people with cash are sitting on the sidelines not daring to buy anything for fear that it can go lower. So what happens when you have got millions of sellers and no buyers? Stock prices plunge like a stone! The Dow (8579 pts) is down almost 40% from its highs and the S&P 500 is down 42% to 909 points. This has happened in the last 12 months since the crisis erupted.

When fear and panic happens and people sell irrationally, fundamentals and intrinsic value are thrown out the window. This is exactly what we talked about during Wealth Academy. This is when good companies get dumped together with the bad. (metaphor: This is when people sell 20,000 square foot bungalows on Holland road for \$1m). This happened in the 1920s, 1973, 1987, 2002 and now, it is happening again.

Even stocks that are NOT directly related to the financial crisis are being sold at ridiculous prices. Look at Health Care: UNH (intrinsic value (IV) \$53) selling @\$17.80 , WLP (IV: \$95) selling @\$36.50 Technology: AAPL (IV: \$189) selling @\$88.74 Agriculture: MOS (IV:\$81)@\$36.52 , POT (IV:\$184) selling @\$92.85, Consumer Staples: KFT (IV:\$40) selling @\$27.70.

We all know from history and common sense that the market will eventually recover and go to even higher highs. So, why do people still sell when the market is down? Well, because EMOTIONS always overcomes LOGIC in life, even in the markets.

People always fear that THIS IS THE END!!! It will NEVER COME BACK. Also, sometimes it is because people are forced to sell because they have borrowed money to invest or because they need to raise the cash to pay their expenses. This is why you should NEVER borrow to invest or invest with funds that you need for your daily expenses.

So, if you want to emerge a winner, then stay calm, keep your logic and hold and pick up SOUND COMPANIES which are NOT DIRECTLY AFFECTED BY THE CRISIS, have strong balance sheets (low debt, high cash), consistent earnings and a wide economic moat with a high future growth prospects ahead. Here is where you put all your learning s from Wealth Academy to the ultimate test.

If you can do this, you will be one of the very few (like me) who will PROFIT FROM THE PANIC. However, do BEAR in mind (no pun intended), that I personally don't think this is the lowest point. There is still lots of possibility that the market will still GO LOWER. After breaking the 9000 support, the next support on the Dow is 7500. Meaning it can still go down another 17% from here. Plus, more banks are probably going to fail in the US and in the UK. The UK crisis has just begun and I see that taking a further toll on the market.

This is however, not going to stop me from accumulating strong stocks at discounted prices and accumulating more as it reaches the bottom in a few months. The most important thing is to focus on fundamentally strong stocks that got hit by the collateral damage and avoid the ones that really got hit i.e. Financials. The market will probably not rebound very fast immediately, it will take months or even years for it to climb back up so no rush.

For those of you who have attending my Wealth Academy Program, I will soon email a list of stocks that I am accumulating right now

## Doomsday or Golden Opportunity?

October 7, 2008 | By Adam Khoo In [Investing](#) | [Comments\(4\)](#)

It seems really difficult to be an investor these days...doesn't it? Everything you could possibly invest in seems to be going down down down, from the US, UK, China and Singapore. From stocks to commodities.

The intuitive reaction is to get out of the stock market and get into cash. There is intense fear everywhere that this is financial Armageddon and that the stocks will never recover. Yesterday, CNBC's Jim Cramer (the guy who predicted that Bear Sterns was FINE) threw in the towel and urged all his viewers to SELL SELL SELL, saying that the Dow Jones dropping another 20% to 7,700 is a possibility.

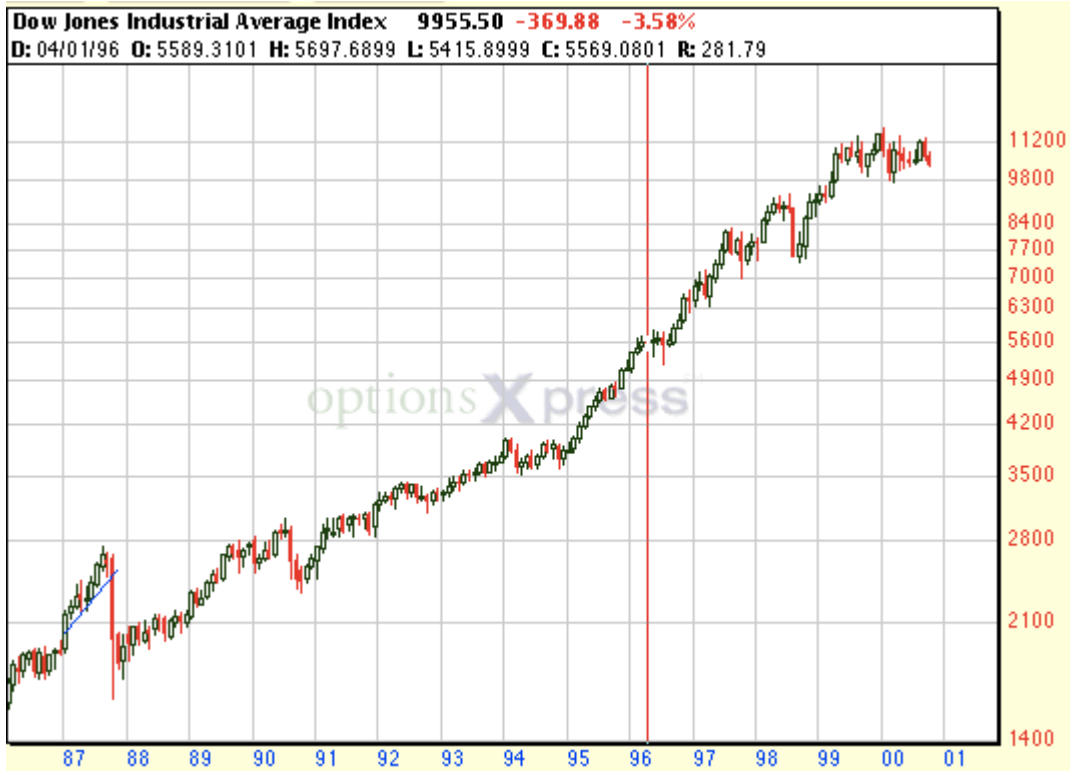
This fear of buying any stocks and the 'sell before I lose everything' mentality is what is causing the huge drops in stock prices. The Dow Jones plunged to 9955 (as low as 9,600 intraday) and the S&P 500 down to 1,056. The indexes are down roughly 30% from their highs in Oct 2007. The markets have been on a downtrend for 12 months since the Financial crisis erupted.

Before you start panicking like the rest of the crowd and sell your stock positions, always remember that history always repeats itself. This same panic and fear that caused investors to sell at huge losses (and never daring to go back into the market again) is what happened during the last three crashes.

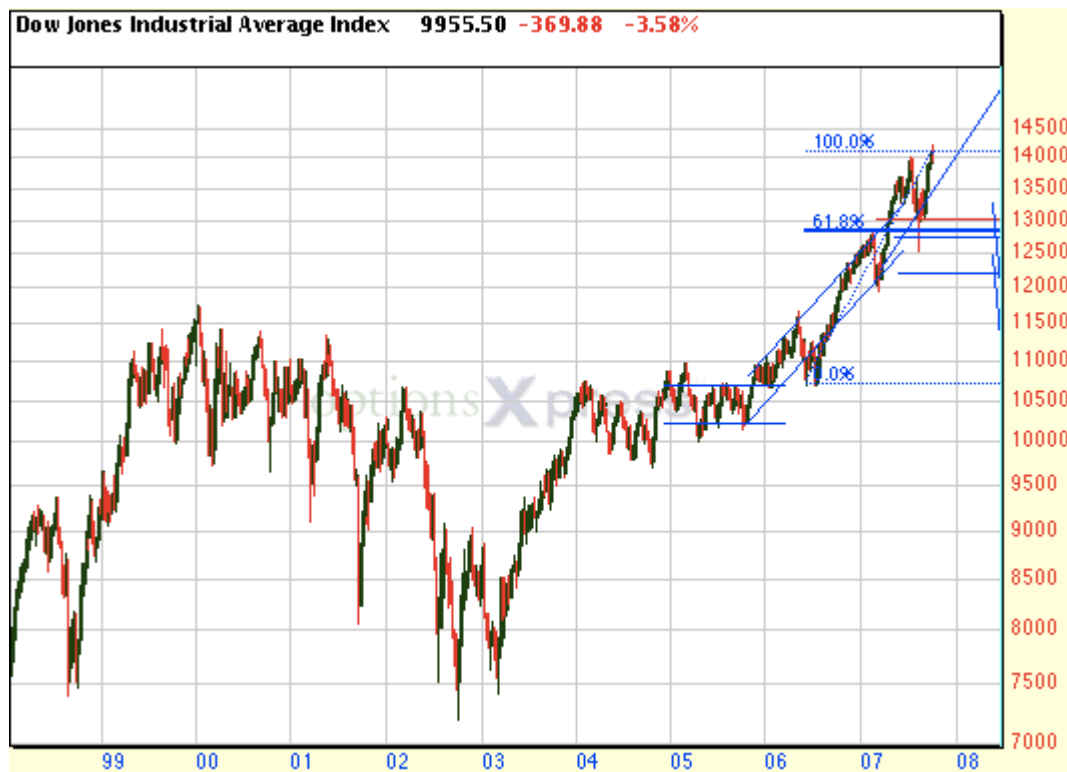
**The Crash of 1973- 1974: Stocks crashed 45% over 24 months. It later rallied 300% over an 11 year bull run.**



**Black Monday (1987). Stocks crashed 38%. Within 2 months, it rallied 561% over a 12 year bull run.**



The dot com bubble burst (2001-2003). Stocks crashed 36% over 24 months. It later rallied 86% over a 4 year bull run.



History shows that the harder they fall, the stronger the bull run that follows. Fibonacci expansion in technical analysis shows that the next XOP (extended objective point on the Dow over the next decade would be 18,000 points, The Dow is now at 9,900. That is a 100% return from where we are.

### Invest Only With Money You Do Not Need

So, am I saying that you should take all your money and dump it in the stock market right now? NO! There is a high chance that the market could still go a lot lower before it gets better. Remember that we have been in a bear market for only 12 months. The last bear markets of 200-2003 and 1973-1974 lasted 24 months. We are down 30% from the highs. We could well go another 10-20%. Again, nobody can predict the market and I am not pretending to. Anything can happen and it is almost impossible to buy right at the bottom. For all I know, the market could recover and rally next month.

So, what does a smart investor (opposed to trader) do? The most important thing is to invest with money you do not need to use for the next 2-5 years!!!! The reason why people lose out the the stock market is because they are forced to sell at ridiculously low prices (like now) because they HAVE TO raise cash to pay for their house payments, car payments, children's education. Never Ever Use Money Which You Will Need. And NEVER EVER EVER borrow money to INVEST.

## **Invest In Great Companies With Solid Fundamentals**

Remember that crashes are where FORTUNES ARE MADE. It is YOU, the well educated investor from Wealth Academy that must now put all your learnings to the practical test. Now is the time to research on those great companies (wide economic moat, way undervalued, history of consistent earnings, Low or zero debt, high ROE) and buy them at huge discounts when NOBODY WANTS TO TOUCH STOCKS. When the market turns around (anywhere from 1 month-12 months), you will be those very few who can say that the crisis was where you made your fortune and laugh all the way to the bank.

This is exactly what our dear Warren Buffett is doing right now, spending billions buying up companies for just pennies to the dollar. He just bought up GE, Added to UNH and also GS. The safest thing you can do is to look at non-financial stocks (the financial stocks have assets that are just too complicated to value) or even just simply buying the Index ETFs! That is a no brainer!

As I have always used a consistent dollar cost averaging model, I will not be looking to time the market so much. Rather, I will just happily and consistently add more and more very good stocks to my portfolio REGULARLY at these really great bargain prices.

### **Goodie...A Recession May Be Coming Soon!**

9 Months ago, I mentioned to all of you (in my earlier postings) that the US will not be entering a recession as the boost from US exports (from a falling US dollar) and steady consumer spending will keep moderate growth DESPITE INCREASING OIL PRICES and the financial crisis. Sure enough, the last two quarters of GDP growth WERE POSITIVE and kept the US out of recession.

However. I now think that there is a big possibility that a RECESSION WILL BE COMING. Here are the reasons (extracted from moneycentral.com- Jim Jubak)

1. On Sept. 24, the Commerce Department reported that sales of new homes had dropped by a seasonally adjusted 11.5% in August from July's already low levels. Sales of 460,000 for the month were down from the 520,000 new homes sold in July and the 500,000 sold in June. Sales for August 2008 were down 34.5% from sales in August 2007 and reached their lowest monthly total since 1991.

2. The Labor Department reported that new unemployment claims had risen to a seasonally adjusted 493,000 in the week ending Sept. 20. That was up from 461,000 the week before. The total number of new and continuing claims climbed to 3.5 million, about 1 million more than at the same time in 2007. Recessions typically see new weekly claims rise to 500,000. The economy isn't quite there yet, but it's getting very close.

3. New orders of durable goods — cars, furniture and other items that are expected to last three years or more — fell 4.5% in August, the Commerce Department reported, after posting slight gains in July, June and May. Even after the exclusion of orders for aircraft, which fluctuate wildly from month to month, and automobile sales, which everyone knows are in the tank, new orders were down 3% in August.

4. Consumer spending is starting to be cut and the rally in the US dollar (because of the plunge in Europe) will hurt US exports as well.

### **So, Why the Hell is this Good?**

#### **Recession = Stock Market Recovery**

As crazy as it may sound, the START OF RECESSIONS often signals the ENDING OF A BEAR MARKET.

Take a look at the timing of the bear market of 1973-74 and the recession of 1974-75. This 21-month bear market resulted in the S&P 500 Index falling 50% from January 1973 through October 1974. The economy didn't actually go into a recession until the third quarter of 1974. Economic growth fell 4.4% in the third quarter of 1974, 2.2% in the fourth quarter of 1974 and 5.1% in the first quarter of 1975.

If you compare the timing of the recession and the end of the bear market, you'll notice that the stock market bottomed in October 1974. That's at the beginning of the fourth quarter. At that point, the recession had just begun and had another quarter and two thirds to run. From the end of October 1974 through the end of March 1975, while the recession was running in full roar, the S&P 500 ACTUALLY CLIMBED 13%.

Because STOCKS DO NOT REFLECT THE ECONOMY but ANTICIPATE IT, the stock market rallies before a recession actually ends. And it was the visible onset of a recession that, in the case of the 1974-75 recession, helped the stock market find a bottom.

So let's hope that the actual economic recession will come and start signaling the start of the new bull market and the creation of our next fortune.

## Why I Love Market Crashes and You Should Too!

September 18, 2008 | By Adam Khoo In [Uncategorized](#) | [Comments\(8\)](#)

The US market is going through it's WORST financial crisis in decades. The US market indexes like the Dow Jones, S&P 500 and Nasdaq have plunged more than 25% from its highs! Once revered 'indestructible' financial giants like AIG, Lehman Brothers, Bear Stears, and Merrill Lynch are/have come crashing down. Citigroup that once traded at \$50, is now down to \$13. Lehman Brothers that was once \$90 is now bankrupt. Merrill Lynch that was once \$80, is now \$20. AIG that was once \$80, is now \$2. Global corporate Layoffs have just started (BT report 17 Sept: HP to slash 24,000 jobs worldwide).

In Singapore, the Straits Times Index is down MORE than 30%. UOB, once at \$24, is now at \$15. Capitaland, from \$8 is now \$3+. Property prices are down 10%-20% from a year ago. The last quarter of Exports have contracted, and Singapore could be facing another technical recession in the coming months (Straits Times Report 17 Sept).

While many people are panicking and fear can be smelt in the air, Far-sighted Entrepreneurs and Investors like myself are LOVING IT! (not that we ate any McDonalds's burgers)

### So Why Do I Love These Downturns?

I may sound crazy, but most people do not realize that economic slowdowns and financial crisis are where fortunes are really made.

It was the last two crashes of 1998 and 2002 that gave me the opportunity to make my first \$1.5 million; by buying into great stocks at huge discounts and turning an \$8,000 investment into a \$30m a year business. It was the recession that allowed me to hire so many great people at such low salaries, take up a 12,000 square foot office in the heart of CBD at just \$4 per square foot. It was during the crashes, when NOBODY wanted to own stocks that I bought great blue chip stocks at 50%-80% discounts below their true value. It was during the last downturn that I bought my Semi-D at \$1.6m, which is now worth \$3m!

Now...it is ALL HAPPENING AGAIN!!!! In fact, this crisis is turning out to be even more severe than the previous two. For those of you who know how to take advantage of this will become the next group of new millionaires once the market turns around.

### How Do You Take Advantage of This?

Remember that history ALWAYS repeats itself. After every bull run (rally), there will be a pullback/correction/crash (which is what is happening now). After every crash, it will be followed by the next rally/bullrun. In other words, the market will ALWAYS RECOVER and GO EVEN HIGHER!

However, NOT ALL stocks will recover. The weak and fundamentally damaged stocks (i.e. Like AIG) may never recover. The secret is to learn and start buying up the fundamentally strongest stocks when they are cheap & NOBODY wants them (during the downturn). When the market turns around, they are the ones will recover even stronger and make you your fortune.

Let me give you a free tip here. Before the crisis, there were Five Big Investment Banks in the US: Lehman Brothers, Goldman Sachs, Merrill Lynch, Bear Sterns and JP Morgan. Now that Lehman (bankrupt), Merrill (bought over By Bank of America) and Bear Sterns (bought by JP Morgan) are gone, guess who is going to benefit and become even stronger after the crisis...the survivors! i.e Goldman Sachs and JP Morgan.

In Wealth Academy (My Live Event, next one is Nov 13-16), I teach people how to identify the strong companies from the lousy ones and to buy them up cheap, when the whole market is fearful. When the market turns eventually, they will reap handsome profits from putting their money on the strong horses.

I have also invited Five of the Top Investing and Trading Experts from Wall Street down to Singapore for Asia's First Investors Superconference from 25-26 October. Check it out at [www.akltg.com/superconference](http://www.akltg.com/superconference). So, if you want to be one of the smart ones who will protect your wealth and benefit from this crisis (instead of being fearful of it), some come and join us for our live events.

“ Be Fearful When Others are Greedy and Greedy When Others Are Fearful” - Warren Buffett, World's Richest Man

### **The Best Time to Start a Business is in a Recession**

Another reason why I love recessions is because it is the BEST TIME to start a new business is in a downturn. Why? Let me give you a few reasons:

- 1) In times of recessions, the company you work for may decide to lay you off (to cut their costs), the best way to protect yourself is to already start thinking of building additional income streams...like a part time business. I teach people ways to start businesses with little or no capital...just hardwork and ideas put into use.
- 2) Recessions are when you can get really cheap rentals and hire great talented staff cheap. Think of the so many people who just got retrenched because their company went bust. There could be more to come..
- 3) IN recessions, many customers look for cheaper alternatives, which gives you the best chance grab market shares from the market leaders (the bigger, more expensive companies)
- 4) In recessions, the bigger players become more defensive, scaling back on their advertising and staff, which gives you the best opportunity to again, grab their market share
- 5) In recessions, interest rates are really low which means you can borrow money cheaper to finance your investments! When I bought my properties during the last downturn, my interest was only 1.5%!

This is precisely why I just launched my MILLIONAIRE BUSINESS ACADEMY training that is coming up 27-30 November. To coach business people to build their business during a downturn and to help newbies get started. Call 62740105 or check it out at [www.millionairebizacademy.com](http://www.millionairebizacademy.com) to find out when I will be conducting a free introductory seminar.

I wish you the best in making your fortune in this downturn