

Markets Have Survived

By Ric Cochran



Over 23% of all the goods and services made in the last two-thousand and ten years, since 1 AD, were produced from 2001 to 2010 ¹. But you might not know it listening to all the doomsayers.

In case you weren't aware, we made it through yet another collapse predicted by Porter Stansberry, of Stansberry & Associates Research, to bring about martial law and food riots. Stansberry has been heralding collapses for years that didn't pan out but presumably sold a lot of newsletter subscriptions. He previously predicted the "End of America 2011." I'm just thankful we survived the end of the Mayan calendar.

Meanwhile, the Dow has hit record highs in spite of naysayers. Will there be a correction? I'm as confident there will be periodic corrections as I am that investors who ride them out are well rewarded for their persistence. Over a century of historical data and peer-reviewed research by Nobel Prize winning economists is more than enough evidence to convince me that "steady wins the race".

In the 1920's:

Mussolini seized control of Italy while hyperinflation raged in Germany and a civil war broke out in China. American businesses boomed as did a stock market that reached record heights but suffered a severe correction in 1929 at the same time many banks were failing and the Great Depression began. But civilizations and markets survived.

In the 1930's:

The Great Depression raged. Many were losing hope. Hitler took over Germany and began systematic exterminations of Jews. Stalin killed millions of his own people in Russia as Hitler invaded his European neighbors. But civilizations and markets survived.

In the 1940's:

Millions were killed in World War II, and America fought a war on two separate fronts before it ended with two atomic bombs and the fall of Berlin. The Treaty of Versailles doomed Eastern Europe to decades of communism. The Berlin Blockade ushered in the Cold War that lasted for decades. Arab countries sought to displace a newly recognized state of Israel in the First Arab-Israeli War. But civilizations and markets survived.

In the 1950's:

The Korean War was the first major proxy war between the United States and Soviet bloc countries. Mao consolidated control over China and millions died of starvation. The Suez Crisis marked the Second Arab-Israeli War. Castro seized power over Cuba and the Vietnam War began for the United States as France pulled out. Schools taught "duck and cover." But civilizations and markets survived.

In the 1960's:

The Cold War continued as the Vietnam War heated up and the Berlin Wall was erected. The Cuban Missile Crisis almost brought nuclear war between the United States and Russia. John F. Kennedy was assassinated as was his brother, Robert F. Kennedy, and Martin Luther King, Jr. The United States was embroiled in tension with riots in cities and on college campuses. Communist China gained nuclear capability. Latin American countries teetered between despots and dictators. The Six-Day War in Israel was another sign of growing troubles in the Middle East. Muammar Gaddafi seized power over Libya. Terrorists hit targets in the US and abroad. Children grew up fearing nuclear annihilation. But civilizations and markets survived.

In the 1970's:

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Newsletter Editor, Elaine Marze



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to Ashley Coburn
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Markets Have Survived *continued*

The Vietnam War continued in the first few years of the decade. The OPEC Oil Embargo created energy shortages and gas lines at service stations. Terrorism and airplane hijackings continued. Kmer Rouge and the Killing Fields in Cambodia claimed millions of lives. President Nixon resigned to avoid an almost certain impeachment. Inflation reached levels never seen before in the United States and birthed the Misery Index. Islamist revolutionaries seized control of Iran and took hostages at the American Embassy. But civilizations and markets survived.

In the 1980's:

Inflation raged to higher levels. Interest rates climbed to double-digits. Many Savings and Loan Associations became insolvent. There were attempted assassinations on President Reagan and UK Prime Minister Thatcher. The Iran-Iraq War raged in the Middle East. A toxic gas release in Bhopal, India killed thousands. The First Intifada rocked Israel. In 1987, Black Monday rocked Wall Street. In China, Tiananmen Square protesters were massacred. But civilizations and markets survived.

In the 1990's:

The Gulf War erupted and ended with hundreds of desert oil wells set ablaze by retreating Iraqi troops. Brazil hyperinflation crushed the value of their currency. The Soviet Union collapsed leading to instability across Eastern Europe. A large hedge fund collapsed leading to unprecedented losses and worries about worldwide systemic financial failure. But civilizations and markets survived.

In the 2000's:

The internet and tech stock bubble burst. Hijacked planes on 9/11 crashed into the towers of the World Trade Center and the Pentagon setting off the War on Terror, a war in Afghanistan and a war in Iraq. Enron collapsed as did WorldCom, both due to massive fraud. The Indian Ocean earthquake and tsunami killed over 100,000 people across eleven countries. An overheated and overleveraged housing market ended badly with the worst correction since the Great Depression. Again, many lost hope. But civilization survived and markets are already reaching new highs.

In fact, from 1920 to the end of 2010, a single hundred dollars that stayed invested in the S&P 500 grew to over \$628,000 due to the power of compounding ².

Through wars, depressions, natural disasters and catastrophic historical events, civilizations find a way to trade goods and services to meet challenges and fulfill needs. That's why I believe winners invest for the long-term, manage volatility, avoid speculating, and keep costs low. What's going on in your portfolio?

Make an appointment with us to have a portfolio analysis done.

1-Source: <http://www.economist.com/node/21522912>

2-Source: http://www.moneychimp.com/features/market_cagr.htm

Past performance is no guarantee of future results.

My wild oats have turned into prunes and All-Bran.