Dr. Mark Skousen's

Forecasts&Strategies

CELEBRATING 35 YEARS OF INDEPENDENT FINANCIAL ADVICE

SINCE 1980

January 2016
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New Flying Five Recommendation

Dear Subscriber,

The Fed has started to release its stranglehold on the credit markets by raising the discount rate for the first time in nearly a decade. That's good news for the economy, the stock market and our portfolio as we enter an important election year.

Higher interest rates mean the economy is on the mend and getting back to normal. Wall Street ended the year on a high note and we beat the market again last year in our portfolio (thanks to the Flying Five Portfolio). Can this trend continue into 2016? Historically, stocks have done well during an election year, and if the Federal Reserve continues to stimulate the economy to get inflation going again, stocks could move higher.

We remain 100% fully invested in dividend-paying stocks and mutual funds. Last month, one of our Flying Five stocks, **DuPont (DD)**, merged with Dow Chemical, forcing us to switch to another high-yielding, low-priced stock, **Pfizer (PFE)**. See page 4 for details.

Fed Raises the Discount Rate: Why This is Good for the Economy and Stocks

"Finally, the Fed made the right decision. It's like removing price controls from the credit markets!"
— Steve Forbes

• **Forecasts on stocks:** Finally, the Fed moved in the right direction, allowing private bond and credit markets to decide the appropriate level of interest rates. By raising the discount rate by between a quarter and half-quarter point, it introduced some flexibility into the economy. As Steve Forbes told me in a private interview (see the photo below), the Fed's action was a positive sign that it was loosening the private credit markets from government control. The Fed's decision sent an important signal to Wall Street: the economy can stand on its own again after the devastating financial crisis and the Great Recession of 2008-09. As Fed Chair Janet Yellen stated, "With the economy performing well and expected to continue to do so, the committee judges that a modest increase in the federal funds rate is appropriate. The economic recovery has clearly come a long way."

Mark and Jo Ann Skousen meet with Steve Forbes in his company's new offices in New Jersey

Is the Fed's 2% Inflation Target a Good Idea? No!

Nevertheless, the Fed still has not given up its determination to depreciate the currency by deliberately promoting inflation with its 2% target rate. Far from tightening monetary policy, the money supply (M2) continues to grow at a relatively high rate of 5-8% over the past year. Price inflation has not followed suit yet because of

Inside...

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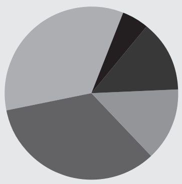
- New PIN: Jan., 7135; Dec., 4612
- Please note: You will need the PIN for the Hotline (202/464-9507).

Recommendations in this issue reflect prices, yields, and returns as of December 17, 2015

Skousen's *Forecasts & Strategies* Portfolio (As of December 18, 2015)



Flying Five (five stocks) 33.93%
Mutual Funds and ETFs. 33.93%
Healthcare Stocks (OHI, UNH) 13.57%
Energy Stock (EPD) 5.00%
Financial Stocks (MAIN, BBT) 13.57%

Changes are made as markets warrant, sometimes between issues. Keep up to date on the portfolio by calling the Hotline (or receiving it via email or on my website), which is updated every Monday by noon Eastern time or as major news occurs. In addition, to review background information about any recommendation, see my webpage:

www.MarkSkousen.com

the oil glut and the fact that the U.S. dollar is the world's reserve currency, and therefore the United States can export its inflation.

If Warren Buffett Can't Beat the Market, How Can You?

In May, my son Todd and I attended the 50th anniversary of **Berkshire Hathaway, Inc. (NYSE: BRK-A),** the investment company run by **Warren Buffett** from his offices in Omaha, Nebraska. We celebrated the fact that Buffett is the greatest investor of all time. In 1973, Berkshire stock traded for $78 a share. Today, it's worth more than $200,000. That's a 21% annualized increase during a 42-year period of time. Meanwhile, the stock market (S&P 500 index) has multiplied by 10% a year. It is quite a difference.

The year 1973 also marks the date the first edition of "A Random Walk Down Wall Street" was published by **Burton Malkiel**, a professor at Princeton University. He made the case that only a handful of investors can beat the market consistently over the long run and, if they did, it might be due more to luck than to skill. He famously wrote that a monkey throwing darts at the pages of the *Wall Street Journal* could pick stocks as well as a Wall Street stockbroker.

Studies since then have confirmed that the vast majority of individual investors, money managers and actively traded mutual funds underperform the market averages. The solution? Buy stock index funds. You won't be able to beat the market, but at least you won't underperform the market.

Two years later, in 1975, **Jack Bogle** started the first Vanguard S&P 500 Index Fund, now one of the most popular mutual funds in the business.

Warren Buffett has from time to time ridiculed the efficient market theory that developed to justify index investing. But today, with his own investment company valued at more than $320 billion, even Buffett admits that beating the market is almost impossible. Last year when he was interviewed by **Tony Robbins**, he told Robbins to invest in index funds as the best way to go.

In fact, Buffett's Berkshire stock fell 10% this year. His favorite stocks, such as IBM, Procter & Gamble and Walmart, are all down in 2015 as we approach year-end. As the old baseball saying goes, "Even the best hitters have slumps."

You can beat the market in the short term by being in a "hot" sector, but what if the hot sector suddenly turns cold? Oil stocks used to be hot, but now they're not. Biotech was on fire earlier this year, then collapsed in the fall. Many stock pickers are down this year because they chose the wrong sector.

Me? *Forecasts & Strategies* is ahead this year, because we have a well-diversified portfolio in a variety of sectors — financial, healthcare and defense, among others. We also have the Flying Five stocks, the five Dow stocks with the highest dividend and the lowest price. It's a technique to find undervalued stocks every year, and most of the time it works. Even though some of my stocks are down (including my favorite pipeline stock), the overall return is positive. I can say I beat Warren Buffett — this year, anyway.

Dr. Mark Skousen's *Forecasts & Strategies*® (ISSN 1556-4037) is published monthly by Eagle Products LLC, 300 New Jersey Avenue, N.W.,Washington, D.C. 20001. Phone: 800/211-7661 or 202/216-0600. Email: customerservice@markskousen.com. Website: www.MarkSkousen.com. Please call if you have a question regarding your subscription. **Editor:** Mark Skousen; **Associate Editor:** Jo Ann Skousen; **Editorial Director:** Paul Dykewicz; **Group Publisher:** Roger Michalski. Subscription: $249 per year. Bulk rates on request. Subscriber comments and inquiries are appreciated. Although Dr. Skousen cannot respond individually to all subscribers' letters, he welcomes and reads all correspondence, and responds to letters of general interest in the newsletter. Periodicals postage paid at Washington, D.C. office. Postmaster: Send address changes to Mark Skousen's *Forecasts & Strategies*®, Salem Eagle, 300 New Jersey Avenue, N.W., Suite 500, Washington, D.C. 20001.

How Much of the Economy is Consumer Spending? Actually Only 30%!

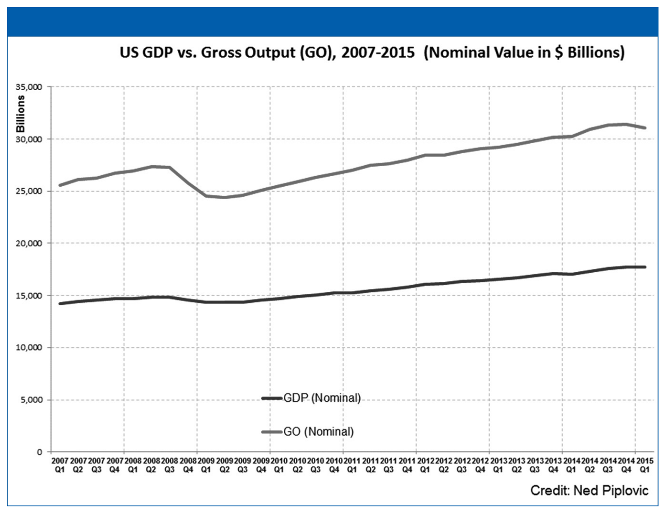
Last month, **Alex Green**, the chief investment strategist of the Oxford Club, wrote an article on the importance of Christmas in the economy. He googled the question, "how much of the economy is consumer spending?" The answer came back as 70%.

This is a common response based on a fallacy in the media — that the economy is consumer driven because 70% of gross domestic product (GDP) is made up of consumer spending. Based on this statistic, reporters are always worried that consumers will stop or reduce their spending during the holidays, leading to a massive recession.

However, this is a false notion. The reality is that gross domestic product (GDP) measures only the value of finished or final goods and services and leaves out all the business-to-business (B2B) transactions involved in bringing unfinished intermediate products to final use. Consequently, GDP way overestimates consumer spending and vastly undervalues business investment and spending in the "make" economy.

Fortunately, the federal government's Bureau of Economic Analysis in the U.S. Commerce Department now produces a broader, more accurate measure of economic activity called gross output (GO). I've been the biggest advocate of GO since writing my book, "The Structure of Production," in 1990. It's now in its 3rd edition. For more information, go to www.mskousen.com, or to buy the book, go to amazon.com.

Adjusted GO amounted to $39.0 trillion in 2015, and only $12.2 trillion of it is linked to personal consumption expenditures. That means that consumer spending makes up only 30% — not 70% — of the economy. As much as 60% of economic activity is business spending and investment. See the chart to the right comparing business and consumer spending.



Credit: Ned Piplovic

What drives the economy? CNBC commentator **Larry Kudlow** concludes, "Though not one in a thousand recognizes it, business, not consumers, is the heart of the economy. When businesses produce profitably, they create income-paying jobs and then consumers spend. Profitable firms also purchase new equipment because they need to modernize and update all their tools, structures and software." Remember that the next time you hear that consumer spending drives the economy.

Flying Five Stocks Gain 14% in Six Months: DuPont Merges With Dow, What Now?

● **Strategy on stocks:** This market can sure take a punch. In the past 12 months, Wall Street's bull market has been threatened by the Chinese stock market crash, the oil crisis, the terrorist attacks around the globe and the Fed's decision to raise rates for the first time in nearly a decade. Yet it ended better than expected — about break-even.

A continuation of the bull market in 2016 depends on a lot of factors: Fed policy, the stability of the oil and commodity markets and the outcome of the election. If the Fed loosens its grip on the credit markets, the oil market stabilizes and a market-friendly Republican wins the election in November, we could be in for another profitable year.

Let's start our review with the Flying Five: Every August issue, I recommend the Flying Five stocks. These are the five highest-yielding, lowest-priced stocks in the Dow Jones Industrial Average. They did extremely well last year — in fact, it's because of the Flying Five that we are outperforming the market. The average return on the Flying Five was up an outstanding 14.3% in only six months! Since the August issue, here's the remarkable return on the Flying Five: **General Electric (GE, $30.26, 3% yield)**, up 17.5%; **Intel (INTC, $34.47, 2.8% yield)**, up 23.8%; **Coca-Cola (KO, $42.45, 3.1% yield)**, up 8.2%; and **Verizon (VZ, $45.45, 5% yield)**, up 1%. Last but not least, **DuPont (DD, $67, 2.2% yield)** rose 21.1% since July 27. On Dec. 11, Dupont announced that its board of directors approved a merger with Dow Chemical. What to do? Normally, we hold all Flying Five stocks until the August issue, then update the portfolio. But with the buyout, it's time to move on. I suggest you sell DuPont (DD) at market and replace it with the best highest-yielding, lowest-priced stock among the 30 Dow Jones stocks. Right now, that would be **Pfizer (PFE, $32, 3.5% yield)**, the giant pharmaceutical company. Meanwhile, I continue to recommend the other four positions until the August 2016 issue.

Main Street Challenged by the Oil Glut

Business development companies such as **Main Street Capital (MAIN, $30, 7.1% yield)** declined last month because some of their investments are tied to the slumping oil & gas sector. Around 17% of Main Street Capital's investments are energy-related, although so far only a tiny percentage of Main Street's investments are in trouble. I don't believe Main Street's fundamentals are going to be hurt by the oil crisis, but investors can be fickle and sell indiscriminately. Such sell-offs should be seen as buying opportunities.

Overall, MAIN was a solid winner last year. It raised its monthly dividend three times, from 17 to 18 cents a share, and paid two additional dividends in July and December (27.5 cents each). It improved its profit margins to 74%, saw the S&P raise its bond rating to BBB (investment grade) and witnessed its first $100 million profit. Its operating-expenses-to-assets ratio was reported at 1.3%, the lowest in the industry.

Main Street was one of only a few business development companies to enjoy a profitable year in 2015. It is the envy of all business development companies, and investors are paying a premium for it. The future looks bright for Main Street. Keep buying.

BB&T Bank Has a Profitable Year

BB&T bank (BBT, $38.33, 2.9% yield), the rapidly expanding bank of the South, rallied last month and was profitable for the year. It has consistently beaten Street estimates on earnings and revenues. With the recent acquisition of Susquehanna Bank and other regional banks, BB&T now has more than $200 billion in assets.

Several analysts expect BB&T to outperform the markets in 2016. Earnings are strong, growth is healthy, costs and non-performing assets are low and the bank's risk profile is better than that of its peers. It has a rising dividend and stock repurchase program, all bullish indicators. It is aggressively expanding into the Northeast and the Midwest and eventually may become a nationwide bank like Chase and Bank of America.

Fundamentals Improve for Omega Healthcare

Our two healthcare stocks are finally responding to strong fundamentals and rallied last month.

Omega Healthcare Investors (OHI, $34.68, 6.7% yield), the nation's largest assisted-living real estate investment trust (REIT), has been consistently beating market expectations, increasing its profit margins and raising its dividend (13 times in a row!). It now is paying 56 cents per share, a 6.7% annualized yield. It also is cheap, selling for only 10 times earnings.

The stock is relatively inexpensive because, as a REIT, it is threatened by rising interest rates. But now that the Fed has raised rates, and is not likely to raise them again until inflation resurfaces, the future for Omega Healthcare looks bright. If ObamaCare makes it easier to get medical assistance, Omega should benefit.

UnitedHealth Group Drops out of ObamaCare Exchanges and is Upgraded to 'Outperform'

UnitedHealth Group (UNH, $118.83, 1.9% yield), one of the nation's largest medical insurers, reduced its guidance to $6 a share in 2015 and $7 a share in 2016, due to projected losses from individual plans sold on public health insurance exchanges under ObamaCare and the expenses associated with implementing Medicaid contracts. UNH announced plans to reduce or eliminate its exposure to public exchange insurance contracts, a blow to ObamaCare.

As one of my subscribers, a medical doctor, wrote me: "First the doctors said: Obamacare is not working for the patients; then they said, Obamacare is not working for us; now they are saying, Obamacare is not working financially; I predict the doctors will next say, Obamacare is not working, period."

Meanwhile, Credit Suisse apparently was impressed with UnitedHealth's decision and upgraded the stock to "outperform" the rest of the market, with a price target of $133 a share. Last year was a good one for UnitedHealth Group. It raised its dividend to 50 cents per share and saw revenues climb 26.6%, far above the industry average of 10.1%. It also has an above-market return on equity of 17.4%.

No More Official Stop Orders?

Important Notice to Subscribers: As you know, from time to time I recommend stop orders to protect our profits and minimize our losses. However, the New York Stock Exchange has announced that it plans to eliminate the official use of stop orders in January. The reason? According to the stock exchange, only 3% of all orders coming into the exchange are stop orders and they often are incorrectly used, triggering broad-based sell-offs during "flash crashes" and other panic selling. So from now on, you need to establish "mental" stop orders and execute them by contacting your broker.

Mutual Funds Start Paying Year-End Distributions

We currently have five mutual funds in our portfolio. Our bellwether fund is the **S&P 500 Index Exchange Traded Fund (SPY, $208.33, 2.0% yield)**, the index fund by which to measure the other four. SPY recovered last month and was up slightly for the year.

Baron Growth Retail Fund (BGRFX, $69.58) paid $6.025 per share on Dec. 2, but this was still not enough to end with a profit for the year. It was the only mutual fund in our portfolio not able to make a gain. Its best-performing stock last year was Vail Resorts (MTN), which rose 48%, but most of its other stock holdings underperformed, especially Dick's Sporting Goods. Nevertheless, I wouldn't count out **Ron Baron** and his investment experts. Morningstar ranks the Baron Growth Fund four stars.

Janus Triton Fund (JATTX, $23.88), a five-star small-growth-stock fund, is up slightly for the year. The fund's top holdings are SS&C Technology Holdings, Broadridge Financial Solutions and Euronet Worldwide; apparel manufacturers such as Carter's (Oshkosh) and Wolverine; industrial chemical producer of powders and fragrances Sensient Technology; and industrial battery maker EnerSys.

Fidelity Select Defense & Aerospace Fund (FSDAX, $118.22) was steady during the last month after it rallied sharply following the terrorist attacks in Paris. It already paid a distribution of $4.31 per share earlier in the year. Top holdings include United Technologies, Boeing, Raytheon, Textronics, Honeywell and Transdigm Group.

USA Mutuals Barrier Investor (VICEX, $29.24), formerly known as the "Vice Fund," was slightly profitable in 2015. It invests in so-called "sin" stocks such as tobacco, alcohol, gambling and military, including gun manufacturers. Current holdings include Altria, Philip Morris, MGM Resorts, Las Vegas Sands, United Technologies and General Dynamics.

Have Energy Stocks Bottomed?

- **<u>Forecast on gold, oil and natural resources</u>:** Oil prices appear to have stabilized for now in the $35 range, while gold remains around $1,050 an ounce. Silver is around $14 an ounce, its lowest price in six years. Copper is trading at slightly above $2 a pound.

If inflation makes a comeback, it will show up first in commodities. The Fed is pushing for higher price inflation and is expanding the money supply to make it happen. The Fed's decision to raise rates has impacted the bond market. The T-bill yield jumped to 0.27%, but 10-year Treasuries haven't budged at 2.3%, and the 30-year mortgage rate has inched higher to 4.25%.

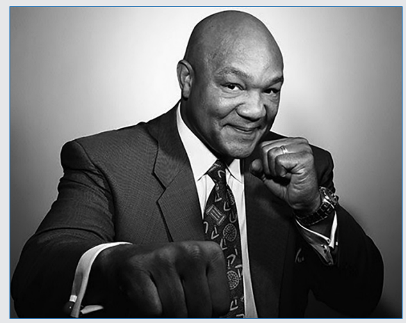
Is the Dollar Doomed? Doomsayers have been predicting the dollar's imminent collapse could occur at any time, but so far it hasn't happened. Several subscribers have asked me the meaning of the International Monetary Fund's (IMF) decision to add the Chinese yuan to its basket of reserve currencies (along with the

Upcoming Appearances

'EARLY BIRD' DISCOUNTS END ON JAN. 15

- **GLOBAL FINANCIAL SUMMIT, MARCH 13-16, 2016, NASSAU, THE BAHAMAS:** Please consider joining **Alex Green, Martin Truax, Grover Norquist, Steve Moore** and other top financial and geo-political experts, along with me, at our exclusive "by invitation only" Global Financial Summit in The Bahamas, March 16-19, 2016. **Grover Norquist and Ziad Abdelnour, two of the world's top experts on Middle East politics, will tell us the truth about this never-ending crisis and what it means to investors**. **Alex Green** and **Martin Truax**, as well as several Swiss bankers and oil & gas specialists, will tell us how to profit. **Steve Moore** will update us on the most interesting Republican primary in years, explaining who's winning, who's losing and how investors will be affected. Take advantage of the **$200 discount before January 15, 2016**. To sign up, call Karen or Jennifer at 855-850-3733 ext 202, email info@freedomfest.com or go to gfs.freedomfest.com.

GEORGE FOREMAN TO ADDRESS THIS YEAR'S FREEDOMFEST!



- We've just sent out our first announcement about next year's big show in Las Vegas, July 13-16, 2016. Our keynote speaker will be **George Foreman**, the former heavyweight champion of the world and knockout entrepreneur.
- **Special announcement:** We've had to raise our prices for the first time in 10 years, but we still are offering the same price for our "early bird" discount — only $395 per person/$595 per couple if you register before Jan. 15. Call toll-free 1-855-850-FREE (3733) or go to http://freedomfest.com/register-now/.

dollar, euro and yen). For now, the yuan won't have much impact, and it certainly won't dethrone the dollar as the world's most important reserve currency. More than half the $6.6 trillion in foreign exchange reserves are listed in greenbacks. Moreover, the U.S. Treasuries amount to $13 trillion in tradable securities and are therefore the safest, biggest and most liquid debt in the marketplace. It will be decades before the Chinese yuan can overtake the dollar. With the Fed raising short-term rates, the dollar is likely to remain strong.

Strategy on natural resources: We've largely avoided independent oil & gas companies, which are down 80% or more this year. Two months ago, I thought we had perhaps reached bottom with the pipelines, which should be largely immune to lower energy prices because their revenues are linked to the volume of oil & gas flowing through the pipelines. But it was like catching a falling knife. To preserve our capital and minimize the damage in the oil patch, I announced on Dec. 7 that we hit our 20% trailing stop order and I recommended selling the **Goldman Sachs MLP Global Income Fund (GMZ).**

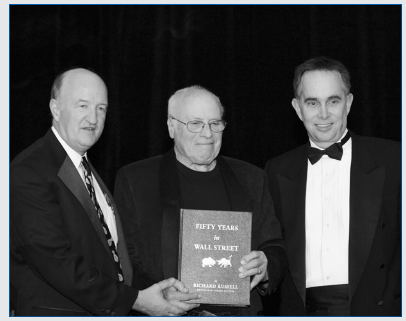
Our position in **Enterprise Products Partners (EPD, $23.48, 6.9% yield)** also has tried our patience, but we've decided to stick with it. It initially fell in response to Kinder Morgan's announcement that it will cut its dividend by 75%, then rallied after the Fed raised rates. Even with the rally, it's down 30% this year. Nevertheless, every analyst out there thinks the country's largest pipeline company is fundamentally sound. Cash flow is strong and sufficient to keep paying a rising dividend (the next distribution is due out in late January). The yield is a mouthwatering 6.9%. The distribution is likely to continue to head higher because Enterprise currently has $8 billion in projects under construction. These projects are expected to deliver more fee-based cash flow, which is the key to distribution growth.

Analysts like the Motley Fool think EPD is "unfairly beaten down" and a "screaming buy." I agree. But as John Maynard Keynes wisely observed, "Sometimes the market can stay irrational longer than you can stay solvent." Last month, I talked to a veteran of Wall Street who said he, like many of his colleagues, was heavily over-invested in oil stocks and is getting creamed. It sounds like panic time, which hopefully means most of the selling is over.

In any case, I recommend that Enterprise Products (EPD) represent no more than 5% of your portfolio.

Personal Snapshots

- **Richard Russell, RIP**: Richard Russell, legendary editor of the *Dow Theory Letters* for more than 55 years and a long-time friend, passed away on Nov. 21 at the age of 91. Due to heart disease, he stopped speaking at investment conferences in his latter years, but he continued to write his daily commentary into his 90s. Many years ago, my friend, coin dealer Van Simmons, and I visited Richard and his wife Faye at their home and gardens in La Jolla, California. In 2009, I arranged with John Maudin to put together a special "Fifty Years on Wall Street" book of Russell's writings for the 50th anniversary celebration of his "Dow Theory Letters." The book also contained tributes from dozens of friends and fans over the years. (You can read these tributes by going to my website, www.mskousen.com.) It was the last time I saw Russell. His insights will be missed. He was one of the founders of the newsletter business and one of the original gold bugs. We will dedicate a room to Russell at next year's FreedomFest. He was famous for his technical system of the Dow theory. His proprietary Primary Trend Index determined whether the stock market was in a bull market or a bear market, and his newsletter was known for having a box in each issue with either a bull or a bear inside. His most famous line, "In a bear market, the winner is he who loses the least," made a lot of sense.



- **Journal Publishes My Article on GO:** I'm pleased to announce that the *Journal of Private Enterprise* has just published my article on Gross Output (GO), the breakthrough statistic that the federal government is now publishing quarterly along with GDP. To read the article online, go to www.apee.org, and click on "journal" for the Winter 2015 issue. My article is entitled "Linking Austrian and Keynesian Economics." It's one of four articles published in honor of free-market economist and long-time friend **Roger Garrison**. Last year at the Association of Private Enterprise Education (APEE) meetings, I put together a festschrift for Roger, who recently retired from teaching at Auburn University.

Should You Invest in Solar and Alternative Energy?

"The difference between a rich investor and a poor investor is the quality — and timeliness — of his information."
— Bernard Baruch (from "The Maxims of Wall Street")

Last month's United Nations (UN) Climate Change Conference in Paris suddenly reignited interest in renewable alternative energy stocks like First Solar and SolarCity. But can the rally continue when non-renewal resources such as oil, natural gas and coal are so abundant and cheap?

Alternative energy stocks, as well as subsidized ethanol producers such as Archer-Daniels-Midland, have been hit hard as the prices of crude oil & gas have plummeted in the past year, falling in half. Tesla, the all-electric carmaker, has seen its stock price drop this year. It is still unprofitable. Consumers just aren't buying. Why bother buying an expensive Tesla when the price of gasoline used in regular automobiles is so low?

For now, alternative energy stocks are moving up, but they are not likely to continue to do so if traditional energy prices like gasoline and natural gas continue to fall. Goldman Sachs predicts that oil will decline to $20 a barrel. I would be surprised, but markets are famous for exaggerating.

Alternative energy and all-electric cars still require heavy federal subsidies. Unfortunately, that trend will continue under the "global warming" hysteria coming out of Paris and the Obama administration.

U.S. Mint Announced Record Sales of Silver Dollars

With silver selling at a six-year low ($14 an ounce), the U.S. Mint announced that it sold a record 47 million American one-ounce eagle silver dollars in 2015. The Mint probably could have sold more if it hadn't suspended sales for part of the year. That beats the record of 44 million in 2014. Since the U.S. Mint was authorized by President Ronald Reagan in the Liberty Coin Act of 1985, the government has produced nearly 500 million silver dollars in uncirculated and mint condition.

The U.S. Mint does not sell the Eagle coins directly to investors. You have to buy through coin dealers. Here is a list of bullion retailers: http://catalog.usmint.gov/bullion-dealer-locator. My favorites are: Van

Simmons, president, David Hall Rare Coins, P.O. Box 6220 Newport Beach, CA 92658, (800) 759-7575, (949)567-1325, www.davidhall.com • Camino Coins, 1301 Broadway Ave., Burlingame, CA 94010, 1-800-348-8001, www.caminocompany.com • Rich Checkan, AssetStrategies International, 1700 Rockville Pike, Suite 400, Rockville, MD 20852, assetstrategies.com, 1-800-831-0007.

Or just come to FreedomFest this July. Our exhibit hall offers a wide variety of coin dealers who bring with them hundreds of American eagle silver dollars, our official symbol of liberty and sound money. At the end of the conference, all the people who have a silver dollar come up on stage and get their picture taken with Steve Forbes.

How to Keep In Touch

I always love to hear from my subscribers on any issue. Here's how to contact me:

Address: Mark Skousen's *Forecasts & Strategies*
Salem Eagle
300 New Jersey Ave. N.W.
Washington, D.C. 20001
Telephone: 800/211-7661, 202/216-0600
E-mail: customerservice@MarkSkousen.com
Newsletter Web site: www.MarkSkousen.com
Pin #: January, 7135; December, 4612
Hotline: 202/464-9507 (PIN required.)

January Checklist

Actions to Take This Month

The Fed has finally raised the discount rate, giving investors some confidence that the economy is in better shape. The Fed also is determined to increase price inflation, which means it will continue to stimulate the economy. Wall Street tends to do well in an election year. Here's what I recommend you do this month:

- In the Flying Five Portfolio, **DuPont (DD)** is merging with Dow Chemical. Sell DD and replace it with **Pfizer (PFE)**, the giant pharmaceutical company that is yielding 3.5%. Keep the other four until the August issue (late July): **General Electric (GE)**, **Intel (INTC)**, **Verizon (VZ)** and **Coca-Cola (KO).**
- Stay invested and add to your positions in high-dividend-paying financial growth stocks such as **Main Street Capital (MAIN)** and **BB&T (BBT).**
- Invest in healthcare stocks and funds **UnitedHeath Group (UNH)** and **Omega Healthcare Investors (OHI**).
- Limit the energy sector of your portfolio to 5% by purchasing **Enterprise Products Partners (EPD**), which pays a rising 7% dividend. If you haven't already done so per the Dec. 7 hotline, sell **Goldman Sachs MLP Income Opportunities Fund (GMZ)**.
- Include in your portfolio my favorite no-load mutual funds **Janus Triton Fund (JATTX), Baron Growth Fund (BGRFX), USA Mutuals Barrier Investor (VICEX), Fidelity Select Defense Fund (FSDAX)** and our benchmark exchange-traded fund **S&P 500 Index Fund (SPY).**

I wish you all a most prosperous New Year at *Forecasts & Strategies*!

Yours for peace, prosperity and liberty, AEIOU,

Mark Skousen

Mark Skousen

MARK SKOUSEN, Ph. D., Editor of *Forecasts & Strategies*, is a Presidential Fellow at Chapman University. He is a nationally known investment expert, economist, university professor, and author of over 25 books. He recently was named one of the 20 most influential living economists. Since 1980, he has been editor in chief of the award-winning *Forecasts & Strategies*. Skousen has taught economics and finance at Columbia Business School, Chapman University and Rollins College in Florida. He is the former chairman of Investment U, past president of the Foundation for Economic Education (FEE), a columnist for *Forbes* and *Reason* magazines, and a former economic analyst for the CIA. He is also the editor of a weekly e-letter, www.worldlyphilosophers.com, and producer of FreedomFest, an annual gathering of individualists. He is the author of several bestsellers, including *The Complete Guide to Financial Privacy*, *High Finance on a Low Budget*, *Economics on Trial*, *The Structure of Production*, and *The Making of Modern Economics*. His recent books include *The Power of Economic Thinking* and *Vienna and Chicago, Friends or Foes?* In 2006, he compiled and edited *The Compleated Autobiography by Benjamin Franklin*. In honor of his work in economics, finance and management, Grantham University renamed its business school, "The Mark Skousen School of Business." His wife, Jo Ann, is associate editor of *Forecasts & Strategies* and teaches English at Mercy College. Together they live in New York and Florida and have five children.