



DOHMEN CAPITAL RESEARCH

Over 40 Years of Success in Bull and Bear Markets



Inflation

Surviving Soaring Inflation: *The Opportunity of a Lifetime*

2022

Bert Dohmen & Dohmen Capital Research
Successfully Timing the Markets Since 1977

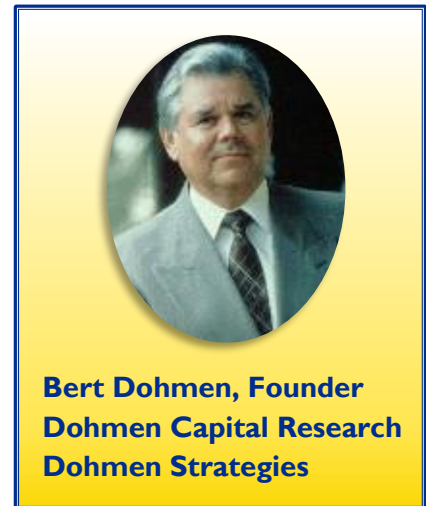
The “Opportunity of a Lifetime”?

We declared our first “Opportunity of a Lifetime” in the history of our economic and investment research firm in 1978. At that time, our firm was a little over one year old.

After the Fed chairman announced the Fed would not “tighten” money but would combat inflation through higher interest rates, we wrote that this was a **“green light for inflation to rise.”**

We predicted that rising interest rates would therefore cause a plunge in long term US Treasury bond prices by “40%-50%.” Wall Street analysts called that forecast “absurd.”

However, about two years later, **T-bond prices had plunged 44%.** Bond yields were over 15%, hitting a 100-year high. Investors who subscribed to our ***Wellington Letter*** and sold their bonds in 1978 saved themselves from devastating losses.



In fact, a few years later a man came to our office and introduced himself as a board member of a small Midwest bank and said, “Bert, I just wanted to thank you for saving our bank.” He referred to the bond market calls.

Other experienced investors, who followed our suggestion of selling T-bonds short during that time, accumulated great profits amid the bond calamity.

Currently, in 2022, **we see the “next” opportunity of a lifetime** as the financial conditions are very similar to what we saw in 1978. With interest rates now soaring, T-bond prices have already plunged 28% from their year 2020 high. Those who sold short have made great profits while those with large bond portfolios experienced big losses.

But the best opportunities for short-sellers is still ahead.

Our work suggests that **this is only the beginning.** We see historic record losses in bond portfolios on the horizon. Whereas the losses in Treasury bond prices 40 years ago was around 44%, this time they could be 50%-70% greater.

We expect that statement to be greeted the same way by Wall Street as it was in 1978.

The reason for this forecast is the fact that inflation is rising and therefore interest rates are on their way higher.

The central banks always try to fight inflation by hiking interest rates. It seems that somewhere analysts and economists were taught that more expensive money reduces the cost of doing business and therefore gives the incentives to businesses to cut prices, thus lowering inflation.

This is totally false.

How do they think this is possible?

On the internet, this erroneous theory is explained:

“As interest rates are increased, **consumers tend to save** because returns from savings are higher. **With less disposable income being spent, the economy slows and inflation decreases.**”

Wow! Do you see the false assumption? People will increase savings when interest rates rise?

But it says nothing about consumer spending increasing because of inflation; consumers want to beat future price increases. No wonder economics is called “the dismal science.”

Such false theories are reminiscent of the college econ textbook by Samuelson, which was full of false theories. But he got the Nobel Prize for it.

Years later he corrected those mistaken assumptions in revised editions. As a student, I had debates with my econ professor about these theories. For example, Samuelson wrote that savings are bad for the economy. I considered that ridiculous. In “the olden days,” savings gave banks the needed capital to make loans to businesses.

Rising interest rates only **reduce** growth when they result in **tight money**, i.e. the **inability** to get new loans.

Borrowed money at today’s very low interest rates is basically free as you pay back the loans with much cheaper money that has far less purchasing power.

This year we estimated that inflation was higher than 11% in January. But Dr. John Williams of shadowstats.com calculates that the true inflation at the end of February hit **16.05%**, the steepest inflation rate since June 1947 (in 75 years).

If you borrow money at 6%, you are still way ahead of true inflation, by 10 percentage points. Therefore, it pays to borrow as long as banks make the loans.

This is how millionaires become billionaires.

As long as banks want to lend at those low rates, this in turn boosts borrowing and thus inflation growth.

The Fed raised rates the expected 0.25% in March 2022. The FOMC said that at their next meeting in May they would likely start reducing the Fed’s balance sheet, i.e. taking money out of our financial system. Our prediction is that **this will not happen**. Instead, they will just reduce the “rate of growth” of the balance sheet and declare victory.



But that remedy is snake oil.

On March 22nd, 2022, Fed head Powell suggested that there may be several meetings in which they would hike rates by a big 0.50% points. They are now realizing that **they are far behind the curve**, just as we wrote last year. Therefore, the Fed must catch up, although they never do.

Once again it is pretense. If they were serious in truly fighting inflation, why didn’t start last year, or this past January?

Fed chair Powell expects inflation to come down later this year and in 2023. He didn't explain how this miracle would be achieved. Of course, he is talking about "the rate of inflation," not actual inflation declining.

We ask, when have you ever seen inflation decline for a longer period **without the Fed actually tightening the availability of credit? Not since the Federal Reserve was established in 1913.**

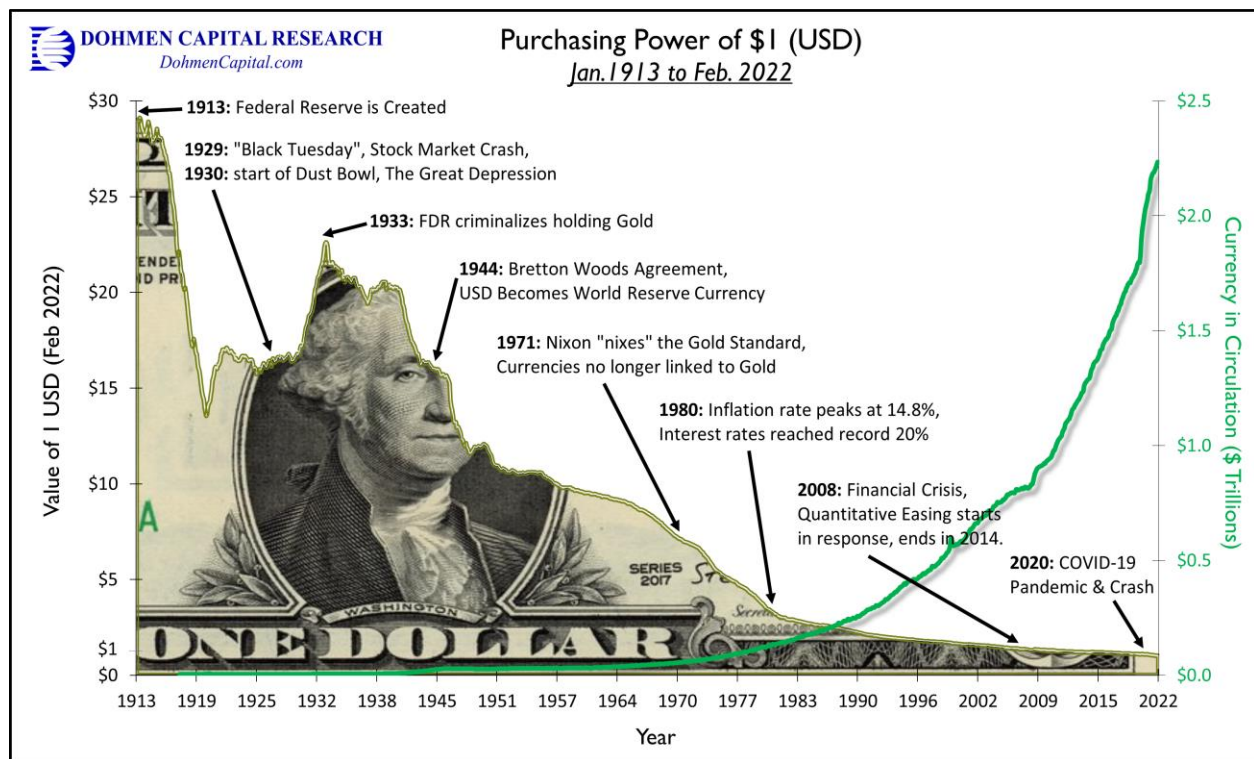
Inflation In The Real World

I remember when a Dairy Queen ice cream cone cost 5 cents. Now I hear it is close to \$3. I remember buying a new Cadillac for a little over \$5000 in 1975. Now they go for over \$60,000 and are a lot smaller. Have any of these price increases ever been "transitory?"

Below is a chart that shows how the value of 1 US dollar has been completely eviscerated over the past 109 years while the amount of currency in circulation has skyrocketed (green line).

Currently, \$1 USD in 2022 is equal to over \$29 back in 1913. Put another way, what would have cost you \$1 in 1913 would now cost you over \$29 in 2022. In 1913, one can of corn cost \$0.10, so \$1 would buy 10 cans of corn. But now it would cost you over \$29 for the same 10 cans of corn because the current value of the US Dollar has plunged as a result of the soaring money creation by the Fed. This is what creates inflation.

Does historical data over a century long give you any confidence that the dollar's value will ever increase, i.e. that price increases are "transitory"? The more money the Fed prints (green line on chart), the lower the value of the dollar will decline.



Price levels rarely decline. At best they stay flat for a while. Reportedly there are 2,200 Ph.D. economists in the Federal government. We hope that at least a few of them know this. But the Fed apparently doesn't know that when they mention inflation is "transitory."

What will make a business lower its prices? The only reason would be to boost miserable sales declines. And for that we usually need a recession or worse. **However, the forces driving prices significantly higher are much more plentiful, especially now.**

Just think about all the businesses that decreased their prices during 2020 in the midst of the pandemic, especially hotels and travel-related businesses. Those low prices lasted for a while to boost their incredible drop in sales. But now in 2022, with the pandemic and restrictions in the rear-view mirror, prices have soared.

Supermarkets have boosted posted prices significantly, around 30%-50% on many items, and claim that the much higher posted prices are the “regular” prices. But then they give you a 20%-30% discount, announcing proudly on the cash receipt **“your savings.”**

Perhaps they are betting on future **price controls** to be imposed by the government, as was done 1974. That way, the supermarkets will claim that higher “posted prices” are the retail prices and those prices will be locked in, not the discounted price.

In fact, the government and politicians love inflation because it is a silent tax. The mountain of debt in government is reduced in terms of actual value as inflation rises. But they can claim inflation is an “act of nature,” or caused by Putin or Russia or by greedy big businesses. We all end up paying higher taxes.

They never put the blame where it belongs: unprecedented spending programs, which must be financed by the Fed creating trillions of dollars out of thin air to make the spending possible.

Throughout the rest of this report, we will explore what to expect for the markets and global economies this year and into 2023 as inflation soars to ever greater heights.

We think that a new record high in US inflation, exceeding the 19.6% high set over 105 years ago, will be made.

We will also introduce you to a tool we developed to **reveal the true long-term trend of the investment market** and what controls these important major trend changes. It is not what you always hear.

The 2021 Market Top

The market up-move since March 2020 was caused by massive credit and liquidity creation by the Fed, not traditional fundamentals. In fact, **it was the biggest money and credit creation of any central bank in history.**

It is amazing what 5-10 TRILLION artificial dollars can do for stocks. The crash of March 2020 turned into a giant stock rally starting in April 2020. But all good things come to an end. In 2021, the rally faltered as several stimuli programs ended. One sector after another started to weaken.

The small cap index of 2000 stocks, the Russell 2000, topped in March 2021, traded sideways until November 2021, and then had a quick “false” breakout to a new high that didn’t last.

At that time we said in our [Wellington Letter](#) that if it turned out to be a false upside breakout, as we suspected, it would be **an important market top and lead to a painful decline for the bulls.**

When the IWM, the ETF for the Russell 2000 Index, turned down in November 2021 and broke strong support (top horizontal blue line), we wrote that the “false breakout” was now confirmed as it became clear to us that a bear market was ahead. =See the 2-day chart of the IWM below, which shows the false upside breakout last November.



The long “distribution” period of stocks of almost one year, when stocks go from the big, smart money to the not-so smart money, tells us that the bear market will likely be long and deep.

There will be rallies, as there always are in bear markets. We had several brief market rallies already this year, but none were able to propel the major indices to new highs. Bear market rallies are usually short but sharp to get the attention of the bulls who make their decisions with emotions.

There were the rallies attributed to the “reopening” of the economy, the **Fed not tightening** severely, inflation being perhaps “transitory,” COVID cases declining, and then a potential “cease fire” between Ukraine and Russia.

But now the markets face a return to reality. The Russia-Ukraine crisis forced the acceleration of the big selling that actually started in November of last year. The Ukrainian crisis made it easy to make all the heavy selling look like it was emotional and due to the war.

The actual reason for the market selloff is galloping inflation.

But that is now also being blamed on Putin and his war. However, it’s important to point out that **in this phase of the inflation cycle, stock sectors of inflation beneficiaries will rise very nicely, while those that suffer from inflation will plunge.**

In November of last year we wrote that the selling of important stocks was “massive” and so heavy and persistent that we couldn’t recall ever seeing that before. We even wrote that this was likely **forecasting a very bad market and economy for 2022.** Did the big, well-connected investors know about the planned war for Ukraine? It makes you wonder.

Soaring Inflation At 40-Year High – Is A 105-Year High Ahead?

Starting in March of this year, the Fed started hiking interest rates with their 0.25% increase, the first rate hike since December 2018. Contrary to popular opinion, **that is not “tightening” money** although for economists that seems synonymous. Without tight money, inflation rises.

In fact, if the Fed does not sufficiently reduce its balance sheet by taking money out of the system, then **higher interest rates will actually increase inflation** as it increases the cost of doing business.

Currently, the Fed is still adding billions of dollars of stimuli every month. They never say why. It is a mystery until much higher governmental spending and deficits are anticipated. The Fed is far behind the curve of market and inflation forces.

After their March 16, 2022 meeting, the Fed **did not** announce the start of reducing its balance sheet. They instead said they would leave it for the meeting in May. That confirms how timid their inflation fighting is.



As we wrote above, **only reducing its balance sheet, or some kind of credit tightening, will reduce inflation.** But the current Fed wouldn't dare do that as it would cause a recession that would jeopardize the mid-term election results this year.

It would also jeopardize the career of the head of the Fed.

Therefore, as we forecast in our [Wellington Letter](#), **inflation will continue to rise, alarmingly.** By not wanting to cause “tight money”, the government will try coercive governmental policies to stop prices from rising. Everyone will be blamed, such as “greedy business people”, “Putin”, “global warming”, and perhaps aliens from outer space. But the real culprits won't be mentioned.

When rents soar, as is happening now, we get rent control. It is usually local. However, is there anything to stop Congress for mandating them? Count on it. Then we may get gasoline **price controls**, and then price controls on food.

Price controls were tried by President Nixon in 1971. He announced on August 15, 1971 *“I am today ordering a freeze **on all prices and wages** throughout the United States.”*

Nixon won the 1972 election against a candidate who promised big tax hikes. Americans don't like people who want to raise their taxes. Some people may find that out in 2022.

Nixon's price and wage controls eventually were a fiasco.

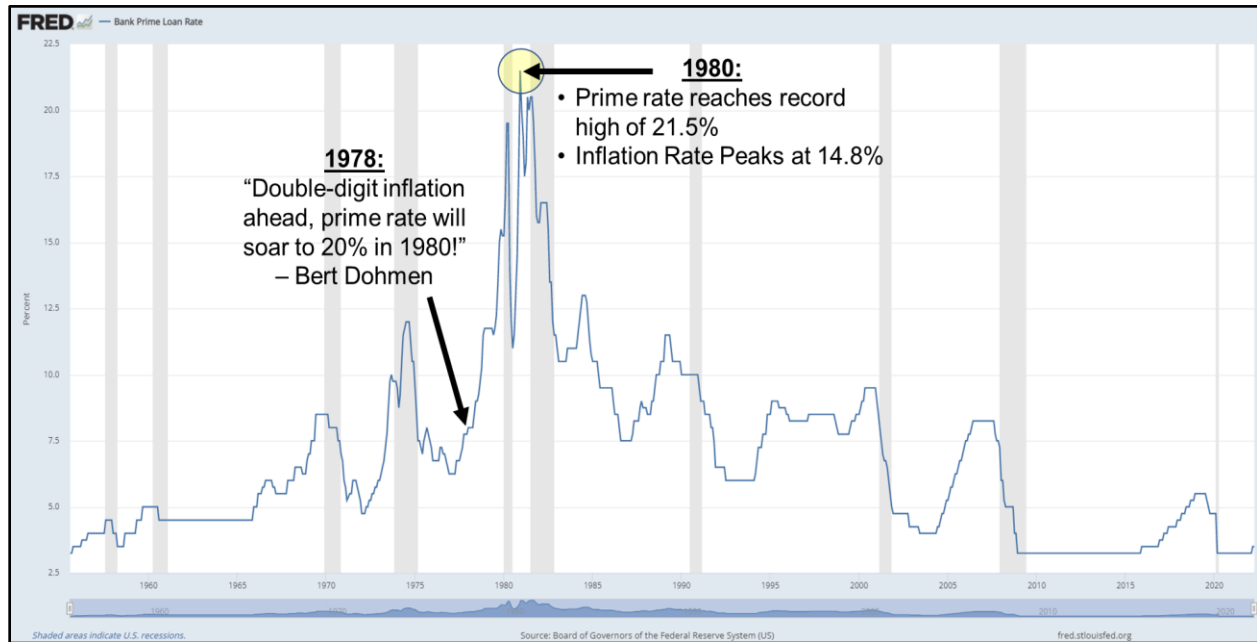
We met the Secretary of Interior under Nixon several years later and he told us that they started with a short list of items for price controls, which soon became a super long list. He gave this example of how they didn't work: they imposed price control on potatoes. Then growers used potatoes for making potato chips, which had no price controls. There was a shortage of potatoes, but plenty of potato chips.

The free market always tries to adjust. When it can't, it leads to interesting distortions.

After the Nixon resignation, and a recession and market crash in 1974, a recovery started, fueled by the Fed.

In 1978, one year after we started our research business, we predicted double-digit inflation, which would lead to a 20% prime rate in 1980.

But Wall Street laughed at our young firm, [Dohmen Capital Research](http://dohmencapital.com), at the time. However, the prime rate hit 20% in early 1980.



Late last year we predicted that inflation would soar in 2022 and first go back to the high of 1980, 40 some years ago. **It happened!**

In late 2021, we also predicted that eventually inflation might hit a **new US record high, exceeding that of 1917 when the CPI was 19.6%**. The "new official" CPI may not reach that because of the manipulations in how it is calculated. However, **actual inflation should get over 20%**.

What makes us think that? The stimulus the past two years was much greater than that of the years **preceding 1917, which is when the balance sheet tracking began at the Fed, at a time when inflation reached its historic high**. Before 1917, the Fed was not even creating any money and credit.

Interestingly, 1917 was also the year of the **last true "pandemic,"** the Spanish Flu, which is said to have cost **100 million lives**. The last two years of Covid was a "fake" pandemic designed by politicians and their puppets in the governmental medical agencies. It had different goals.

The next few years will not be pleasant for uninformed investors and money managers who practice the "buy and hold forever" approach. In the markets we foresee that strategy will be very painful.

The big money will be made on the short side of the market, but that will require the most experienced guidance.

Inflation & A Bear Market

For a recession you need a credit squeeze. And that produces **a bear market in stocks because stocks become a source of cash.**

In a bear market, it is futile to try to find the few stocks that will buck the downtrend. Therefore, it makes more sense to sell short the overvalued stocks. **Currently, that includes the majority of stocks. Only sectors that benefit from inflation will rise.**



How low can stock prices eventually go? The P/E ratio of the most popular market indices is around 18. But that is a result of the ultra-low interest rate environment we have had for several years because of low inflation.

The Fed has kept short-term rates at 0% to 0.25% for the past two years and just now hiked it by 0.25 percentage points. With “official” inflation at around 7.9%, and true inflation over 16%, current interest rates are much too low.

Interest rates must rise towards the inflation rate, which inevitably means **double-digit inflation is around the corner.**

As rates rise, we will see “P/E ratio compression.” The P/E of the indices will go from the current 18 to perhaps single digits such as 8. That alone would suggest around a 50% decline in stock prices.

Why don't any of the analysts in the media talk about this? Is it intentional or do they not know?

This is why **short selling the vulnerable sectors in a bear market can be extremely profitable**, since stocks decline faster than they rise. We can see this in the long-term (monthly) chart of the S&P 500 below, showing the major bear markets of the early 2000's.

Take a look at the longer-term calls we made in our **Wellington Letter** at the tops and bottoms. These moves were extremely profitable for our members.



This chart shows how bad of an idea it is to say “we stay invested because we have a 5-10 year time horizon,” which is what you hear from most analysts in the financial media.

If your portfolio declines 50% in value, you will need a 100% gain just to get back to even. **Isn't better to sell earlier and minimize the damage?** The technical indicators we utilize can enable investors to do that.

Oh, I forgot. Wall Street tells you that “no one can time the markets.” Well, we and a number of other experienced analysts have done it for decades. We even wrote an entire report on it in 2021, [**“Proving Wall Street Wrong – How You Can Catch the Next Major Bull Market Top”**](#)

However, in a bear market, market participants should not indiscriminately sell short, especially with high leverage. Short selling should only be done in overvalued stocks that do not benefit from inflation.

Using our proprietary theory, developed in 1976, you too can get pretty close to catching the major market trends, whether up or down. You don't have to catch the exact day of the turn to have excellent performance.

It is important to note that **there are a number of sectors that benefit from rising inflation**. The early phase of the inflation cycle is marked by increased purchases of commodities and energy; first to beat price increases, and secondly to profit from price rises.

Buying those sectors in the rising inflation phase, and short-selling the weak sectors that get hammered from high inflation, can make you profits on both sides.

In 1978-1980, the rising inflation phase of the cycle lasted about 2 years. Then, Paul Volcker came in as the new Fed Chair and seriously tightened money and credit. **That was the time to sell just about all assets short. It meant the end of the inflation cycle and a rush into cash.**

However, keep in mind that short-sellers have one big enemy: their emotions. Decades of market experience will help you determine the major market trend, which may help you overcome those emotions.

Of course, this is exactly what our [research services](#) aim to do while helping to guide our members with a successful trading and/or investing strategy.



The Secret To Bull & Bear Markets That Wall Street Doesn't Want You To Know

The best tool for determining the major market trend is our proprietary “**Theory of Liquidity & Credit**,” which we developed in 1976. It says that a change in the trend of “liquidity and credit” growth is the **most important factor for determining the major market trend**.

When those two factors expand, the market trend will rise; when they contract, they will bring a bear market. Once you have determined the major trend, it is easier to shut off your emotions and ignore Wall Street’s “advice.”

Liquidity and credit soared starting in April 2020 in response to the “COVID Crash” and shutdown of the global economies. That’s when the market crash bottomed and then the market soared in response.

Sometime later this year we will see liquidity and credit expansion topping and perhaps reversing. **When they contract, you have to be short or in cash.**

The Fed will hesitate to start contraction ahead of the mid-term elections later this year in November. That means that inflation has a bright green light for the rest of the year.

***Remember, when the Fed hikes interest rates,
it does not mean tightening.***

You see, they never differentiate between “tight money” and “more expensive” money. We do not know if that is intentional.

Eventually, after the election, in early 2023, the Fed will have to catch up with fighting inflation by actually tightening money. The ensuing bear market will be painful.

Erasing The Last Bull Market

Our advanced technical analysis suggests that **at minimum the entire market up-move from March 2020 may eventually be erased**. That bull market was a creation of record Fed stimuli and therefore could be undone when the fight against inflation demands it. That would mean at least a 50% decline in an index like the DJI from its peak.

However, that won’t happen this year ahead of the election.

Here is the weekly chart of the very broad NYSE COMPOSITE INDEX (NYSE) going back to 2018. Look at the fantastic rise since the bottom in March 2020.

That was followed by **a one year “distribution” period in 2021 at the top of the chart**. For those of you who are not current members, “distribution” is when **stocks go from the big, smart money to the less experienced investors**.



At the bottom of the chart is the **Chaikin Money Flow** indicator. It shows that money was flowing out of stocks since late last year. When there is a “1-2-3 point divergence” between such an indicator and the index, point 3 is the last chance to go from bull to bear to maximize returns.

Save this chart. You will not find it easily elsewhere. This is just one example of the advanced technical analysis we use in our research services to help keep our members on the correct side of the market.

As we pointed out above, the 2020 stock market low was followed by massive Fed stimuli, expanding p/e ratios, an improving economy, and a bull market in stocks.

However, now in 2022 we have exactly the opposite. Our **Theory of Liquidity & Credit** shows us that the major trend in many market sectors has turned down, although not all sectors will decline at the same time nor at the same rate. In fact, inflation beneficiaries should continue to do very well.

Unless there is some unexpected bullish event, such as renewed massive money creation by the Fed, we expect that some other indices, such as the small cap index, will **decline as much as 80% over the next two years**. That is the normal bear market decline **for at least one index in a true bear market**.

The NASDAQ Golden Dragon China Index already **plunged 76%** from its 2021 high to the low in March 2022. We even wrote late last year that China would lead the world markets down.

However, that doesn't mean investors need to sell everything and hide out in cash. We see great opportunities for informed investors and the bears. Some sectors will be able to avoid the initial decline and may even rise, just as we've seen in energy and commodities so far this year.

In our two trading services for active traders, our members were able to amass great gains both on the long side and the short/bearish side so far this year, despite all the volatility.

Take a look at our how our [Smarter Stock Trader](#) and [Fearless ETF Trader](#) members profited greatly from just a few of our top recommendations (not using options). These are gains for short-term trades within the first 3 months of the year:

Dohmen Capital Research
Smarter Stock Trader Top Stock Gains Q1 2022
(as of 3/25/2022)

#	Symbol	Name	Long/Short	% Gain
1	VET	Vermilion Energy Inc	Long	+26.2%
2	EXK	Endeavour Silver Corp	Long	+25.0%
3	NEM	Newmont Corporation	Long	+23.5%
4	KC	Kingsoft Cloud Holdings Ltd	Short	+16.6%
5	ESTC	Elastic NV	Short	+13.1%

*©Dohmen Capital Research, 2022. Trades executed from 1/1/2022 through 3/25/2022. Past performance is no guarantee of future results. All performance data comes directly from sources considered to be reliable and may differ from members' performance.

Dohmen Capital Research
Fearless ETF Trader Top ETF Gains Q1 2022
(as of 3/25/2022)

#	Symbol	Name	Bullish/ Bearish ETF	% Gain
1	URA	Global X Uranium ETF	Bullish ETF	+23.4%
2	DBC	Invesco DB Commodity Tracking ETF	Bullish ETF	+22.9%
3	FCG	First Trust Natural Gas ETF	Bullish ETF	+21.0%
4	SSG	ProShares UltraShort Semiconductors	Bearish ETF	+19.7%
5	QID	ProShares UltraShort QQQ	Bearish ETF	+13.9%

*©Dohmen Capital Research, 2022. Trades executed from 1/1/2022 through 3/25/2022. Past performance is no guarantee of future results. All performance data comes directly from sources considered to be reliable and may differ from members' performance.

By selectively trading specific sectors on the long side and shorting the weakest areas of the market, this environment can provide great opportunities.

This environment should continue until the Fed gets serious about fighting inflation, which they are **not** right now. They will not create "tight money" before the November 2022 mid-term elections. Remember, **rising rates does not mean "tightening."**

But once the Fed does indeed start fighting inflation in a serious manner with tight money and credit, probably sometime in 2023, everything will plunge, including precious metals.

That will probably wait until after the election, unless the powers behind the scenes want a change in the power structure of Washington before that.

The once popular, and highly speculative, cryptocurrencies will see a bloodbath and many may go to **zero**. We don't consider them assets, but merely figments of the imagination. No one will want them. They won't even buy you a loaf of bread.

Now we will look at our outlook for the markets and how to handle your investments in the environment ahead by catching the big trend changes.

The Markets In 2022

Since late 2021 we have not only been warning of a huge bear market decline in 2022-2023, but also forecasting soaring inflation and the consequences of the Fed's actions.

At that time we also recommended the exact sectors that would **present great opportunities to investors**, despite the headwinds we forecasted.

While investors and analysts in the media called the market plunge of the past several months a "healthy correction," our forecast **since last October was that we were entering a bear market** that would carry over into 2022.

Contrary to what you may have heard on financial TV, the selloff **did not start with the Russia's invasion of Ukraine or the Fed's expected rate hikes in 2022**. The massive selling in stocks started late last year.

Here are the warnings we've been issuing in our [Wellington Letter](#) since October 2021:



As you can see very clearly on the daily chart of the NASDAQ Composite below, the bear market started in November 2021, **plunging 22%** through the mid-March 2022 low. Anyone holding the once popular tech stocks, especially the mega-cap stocks, got slaughtered.



After the first big bout of selling in 4Q 2021, the new year started off on a big downturn with the **NASDAQ plunging 9% in January** alone. That ended up being the worst month for the S&P 500 and the NASDAQ since the March 2020 market crash.

That is saying something, as in many respects the March 2020 plunge was the worst in decades.

Then, in mid-February of this year, our technicals were signaling that the major indices were poised for another major plunge. On Sunday, **February 21, 2022**, we warned our valued members ahead of the volatile week by titling that issue, **"Market Plunge Ahead."**

Over the ensuing 3 trading days the **DJI plunged more than 1800 points to its low (-5.3%)**, before the PPT ("plunge protection team") and support actions came in and saved the markets from a devastating down-day.

While the majority of investors and TV analysts have been suffering devastating losses over the past few months, the warning signs were there early on, indicating that there had been a major trend change, sentiment shift, and that **stocks were headed into a bear market**.

The stock market has had its **5th worst start of the year in history through mid-March**. However, that's when the markets became oversold and our technical indicators were signaling a pause in the selling and a near-term rally ahead.

On March 8, 2022 we published a Special Bulletin Wellington Letter titled **"Time for a Relief Rally."** That day turned out to **be the exact closing low of the DJI and S&P 500 so far this year**. Of course, sharp bear market rallies are normal, as we saw recently.

With the big plunge and sharp rally, we don't recall seeing such extreme volatility in the indices, as seen the last several months, in many years. We wrote "it is almost like the markets are convulsing, the perma-optimists versus the smarter analysts."

The "perma-optimists" always use the excuse, "we are in it for the long-term." They do well during periods of crazy speculation. One fund manager did superbly since April 2020. Now her funds are down as much as 67%. It will take a 300% gain to get back to the high.

Eventually **the speculators will experience great pain and lose their marbles. Fear will take over and that is when the real dumping of stocks starts.**

The Wall Street bulls are still recommending “stocks to buy” and had been doing so the entire way down during the market plunge. They manage money and they usually can’t sell short and can’t turn bearish. The word “sell” seems to be prohibited.

We have found over the past 45 years that **in the first phase of a bear market, it is best to ignore most analysts because they have conflicts of interest.**

The analysts who do NOT manage other people's money at least **have no conflict.** Then you can focus on analysts who are smart, have decades of experience, and have at least invested during the high inflation period of late 1970's.

What Investors Can Do

With inflation soaring, contrary to what most investors believe, now is not the time to sit on the sidelines in big cash positions.

Cash right now is working against you, with inflation surging higher by 7.9% in February (“officially”), to a new 40-year high. The “unofficial” inflation data, using the methods to calculate it back in the 1980's, shows **inflation is actually more than double that, roughly 16%.**

With cash depreciating, gas and food prices soaring, and the markets plunging, many investors are stuck between a rock and a hard place.

However, the early phases of a bear market and an inflationary environment offer superb opportunities.

By **not** following Wall Street advice, and focusing on advanced technical analysis as we do, active investors **can** outperform the markets. In fact, they have been able to successfully avoid the big losses and instead made great profits with our HedgeFolios service.

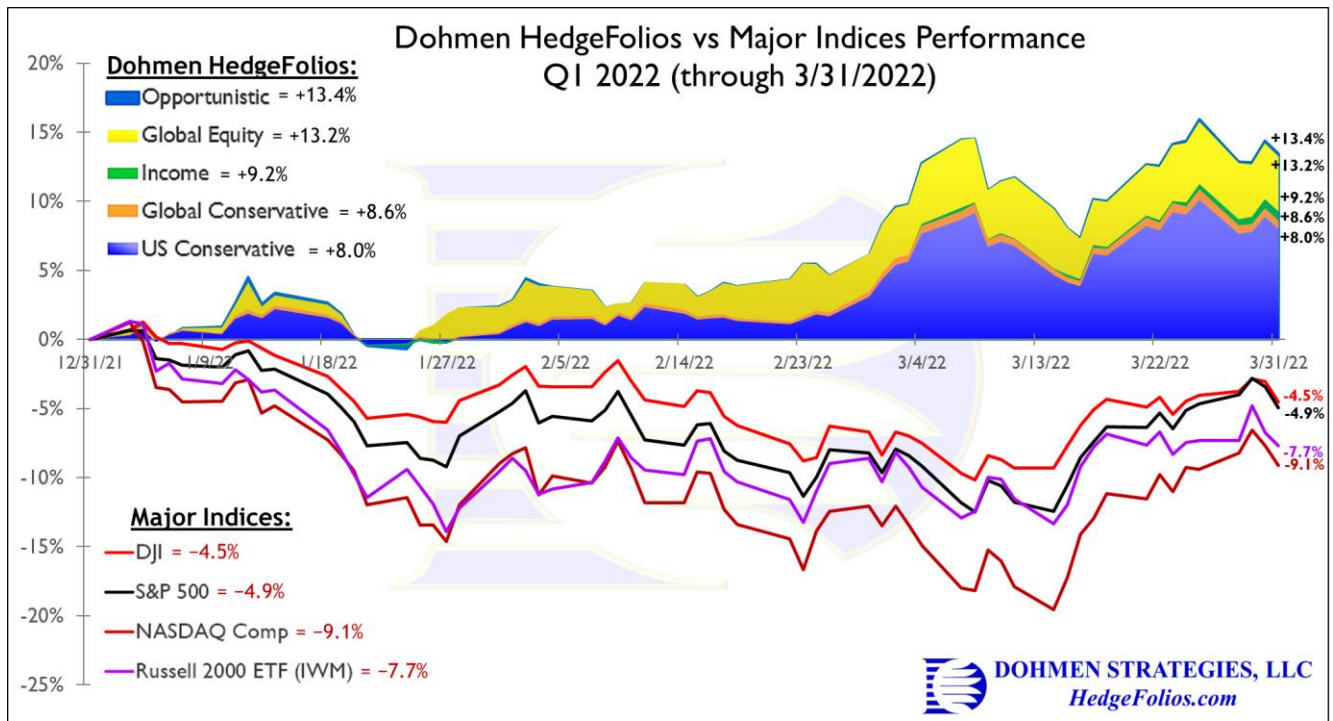
Using cash, and investing in specific areas of the market, their portfolio's value has grown even while the markets have plunged.

In our guided active investing service [HedgeFolios](#), we showed members how money can be made in volatile markets like this one.

Here is a chart showing how our 5 HedgeFolios models performed over the first three months of 2022 while all the major indices plunged.

Our top performing models, which can utilize inverse ETFs that rise as the markets decline (**Opportunistic and Global Equity**), **had gains of over 13% while the NASDAQ Composite lost more than 9%.**

That is an outperformance of **22 percentage points in a short 3 months.** Hedge funds would kill for such outperformance in an environment like the one we're in now.



*Source: HedgeFolios.com, Yahoo Finance. The above HedgeFolios performance is based on an unfunded model and does not constitute a composite for purposes of GIPS reporting. Model Performance may deviate from actual client performance for a number of common reasons. Past performance is no guarantee of future results. The information is obtained from sources that HedgeFolios.com considers to be reliable; however, no representation is made as to, and no responsibility or liability is accepted for, the accuracy or completeness of the information. Information contained herein is subject to change at any time without notice.

For investors who are busy in their professions, businesses, or jobs, we usually suggest not to try trading such a volatile market. It takes lots of experience to do it right.

However, with professional guidance, and the ease of replicating any of our model HedgeFolios as above, serious investors can take advantage of these opportunities.

Of course, we cannot guarantee immediate riches, and past performance is no guarantee of future results. But with HedgeFolios, you gain access to the analysis and over 45-years of experience of one of the greatest technical analysts, Bert Dohmen, founder of Dohmen Capital Research Group, working for you.

It may be the best answer to the most common question: **“What should I do in the markets now?”**

Conclusion

Throughout this report we gave our view of inflation, where to find the superb opportunities in the markets, and the secret tool to help you time the major trend changes in the markets. Remember, bull markets never last forever.

We recommend all readers save this report and read it once per month to see if our thoughts and deliberations are still on track. There are never any guarantees when looking into the future. It is a dynamic world. When facts change, such as a change in the US leadership, or the head of the Fed, or a World War threatens, we may of course change our forecasts.

There are only three forecasts that never need changing: taxes, death, and the declining purchasing power of money.

These are critical times. Our forecast since February 2020 has been that the 1930's is a pretty good road map for what is ahead the next 8-10 years or so. History does repeat, or at least rhymes.

We cover the shorter-term market moves, lasting perhaps 3-6 months, and longer-term trend changes in our award-winning [Wellington Letter](#), now in its 46th year.

Elevate your investing today with our research services for shorter-term traders and longer-term active investors.

Wishing you successful investing,



Bert Dohmen, Founder
Dohmen Capital Research Group
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"Bert Dohmen... brilliant technician, great long-term record."

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"If forced to choose only one market letter every month, I'd pick [Bert Dohmen's] *Wellington Letter*."

- **Terry Savage**
Author, *The Savage Truth on Money*

"Bert Dohmen, one of the all-time kings of technical analysis...has always been fiercely independent in his thinking. Bert Maverick, I call him. That's a good thing, because in markets the consensus is usually wrong, which is why Bert is usually right."

- **Robert Prechter**
Founder, *Elliot Wave Financial*



"The reason I like the *Wellington Letter* so much is because it's **real** news that you can use to make decisions about your future. [The *Wellington Letter's*] information is fabulous because it's comprehensive. In a world of fake news...the *Wellington Letter* is priceless."

- **Robert Kiyosaki**
Founder, *Rich Global LLC and the Rich Dad Company*



"Bert Dohmen has astounded our conference audiences for over a decade with forecasts which at the time seemed impossible, but nevertheless came true. One of his most remarkable forecasts was at our late Fall 1987 conference, where he predicted a 500-1000 point decline in the Dow before year-end."

- **Charles E. Githler**
Founder, *The Money Show*



"I have devoured the *Wellington Letter* since 1982. Bert's timely advice is almost secondary to the educational aspects of the letter. His total understanding of the economy, the Fed, and the markets makes each issue an addition to my library."

- **Gregory L. Morris**
President, *Murphy-Morris Corporation*

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– **Mark S.**

"I continue to enjoy reading the [Wellington Letter](#). It brings a sense of reality to an otherwise confusing world."
– **David M.**

"I would like to thank you. I have been a [Smarter Stock Trader](#) subscriber for only four months now, but I must tell you that the returns I have had on a monthly basis have trumped my previous yearly returns for the last five years. You are truly a great man for sharing your intelligence!"
– **David J.**

"The [Wellington Letter](#) is my favorite, and is one of the few newsletters whose subscription I haven't canceled. I just want to thank you for helping me understand the global economy, find profitable investments, and most importantly, avoid losses."
– **Kris M.**

"I am a subscriber to the [Fearless ETF Trader](#) and I want you all to know that I am very pleased to have you as my financial advisors. I feel extremely comfortable and blessed that I am in such good hands."
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"Dohmen [HedgeFolios](#) is super easy and extremely profitable. It requires "zero" effort and yields great results. Dohmen's insight on the world markets as a whole is 'priceless.' Thanks Bert and Team!"
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The award-winning **Wellington Letter**, now in its 46th year, provides serious investors and business executives with a fundamental and technical analysis of the global economies and investment markets. Over the years, it has delivered readers with the most accurate analysis and forecasts found anywhere.

The **Wellington Letter** has called every important market plunge over the past 45 years, often catching major turns within a day or two of the turn.

Bert Dohmen has been rated **#1 Market Timer** by Timer's Digest. His astute market timing has helped readers to prosper in bull and bear markets alike. Using sophisticated technical chart analysis and analysis of the monetary policies and credit market conditions allowed this service to be one of the most prescient in the business.

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With our ***Fearless ETF Trader***, you receive our advanced technical analysis, market timing signals, and our in-depth analysis of the markets in each issue. Then we offer **specific ETF recommendations with which we have "buy" and/or "sell" signals.**

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- You can replicate any or all of our 5 model portfolios (*Opportunistic, Global Equity, Income, Global Conservative, and U.S. Conservative*).
- You can profit & protect your portfolio when markets are declining, especially in bear markets
- You have complete control over your own money and account.
- You don't have to send your money to a stranger.
- You have no hassle and no worries, and you get to enjoy the peace of mind knowing you have our professional guidance on your side.

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HedgeFolios adapts to changing market conditions according to our over 45 years of market experience, in-depth analysis and thorough research. During these historic and uncertain times, HedgeFolios can **take the worry out of your investments.**

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