

FOR IMMEDIATE RELEASE

David L. Smith Speaks to Canadian Investment Advisors

Warns of stock market risks as Dow Jones Industrial Index trades above 9150.

May 20, 1998-- Appearing in Toronto, Canada, Houston-based economist and market strategist David L. Smith urged an audience of 200 Canadian investment advisors to "return to basic investing principles that have been obscured by the present 'irrational exuberance' in the stock market," as the Dow traded above 9150. In a presentation entitled "Five Principles That Will Contribute to Your Investment Success and the Wellbeing of Your Clients" he suggested a reexamination of investment strategies and practices in order to achieve a prudent and profitable balance between risk and reward. Mr. Smith's five principles advise the following:

- 1. Have a healthy regard for risk:** the stock market offers greater risk and lower return than is commonly perceived.
- 2. Have an exit plan:** don't "buy and hold," (like "demon extrapolators" who assume any stock market dips will be brief and mild) but rather "buy and sell" at strategic intervals to achieve investment profits.
- 3. Diversify, diversify, diversify:** outside of the stock market to raise returns while lowering risk.
- 4. Develop contrarian mindset and emotions:** use the prevailing emotions of fear or greed as a reverse barometer for profitable investment decisions
- 5. Practice dynamic asset allocation:** adjusting portfolio asset mix as economic cycles develop, in accordance with *Cyclical Investing* principles, investing in asset classes that will be propelled upward by economic forces while avoiding asset classes likely to be depressed by those same forces.

Mr. Smith, who accurately predicted the 1987 Stock Market Crash in his newsletter, *Cyclical Investing*, warned of an impending sharp decline in stocks, saying 9 of his 10 top warning signs of a bull market peak were flashing, waiting only for the tenth, a technical breakdown of the Dow below 8600, to initiate a market decline. When that happens, he said, "Your stocks don't love you, don't love them, sell 'em. Until then, however, hold stocks with one foot in the door."

Mr. Smith's presentation was sponsored by NCE Resources Group, one of Canada's premier oil, gas and real estate companies.

*A 2-hour videotape of this presentation is available.
For More Information Contact your favorite Speakers Bureau:*

POSTSCRIPT:

In July 1998, less than two months after Smith's May 2000 warning, the Dow Jones Industrial Average peaked at 9,412 and then plunged to a low of 7,379 in September 1998, a loss of 22%. Subscribers following Smith's advice offered in his *Cyclical Investing* newsletter, avoided the decline and subsequently re-entered the market in November 1998 until Smith advised exiting the stock market at 11,327 on the Dow on January 4, 2000, a few days before the Dow peaked.