BUILDING WEALTH IN CHANGING TIMES

The Solari Report

JULY 31, 2014

2nd Quarter Equity Overview

with Chuck Gibson

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C. AUSTIN FITTS: Ladies and Gentlemen, it's my pleasure to welcome to The Solari Report for the Quarterly Equity Overview my partner, Chuck Gibson. We are partners in Sea Lane Advisory, LLC. Chuck is also the Managing Member and founder of Financial Perspectives in Pleasanton, California in the San Francisco Bay Area.

Today we have two topics to discuss. The first is to check in and see what's happened in the equity markets over the last quarter. There is a lot in the news on the global equity markets and the US stock market, and we want to make sure we sit back and look at things – as Chuck likes to do – with statistics in mind.

Then for the second part we're going to talk about how you identify the bottom in a market, and that's because obviously we like to buy low, not high.

Chuck, welcome to The Solari Report.

CHUCK GIBSON: Thanks, Catherine. It's great to be on again. I appreciate it.

C. AUSTIN FITTS: So, give us a round up about how the markets did in the second quarter.

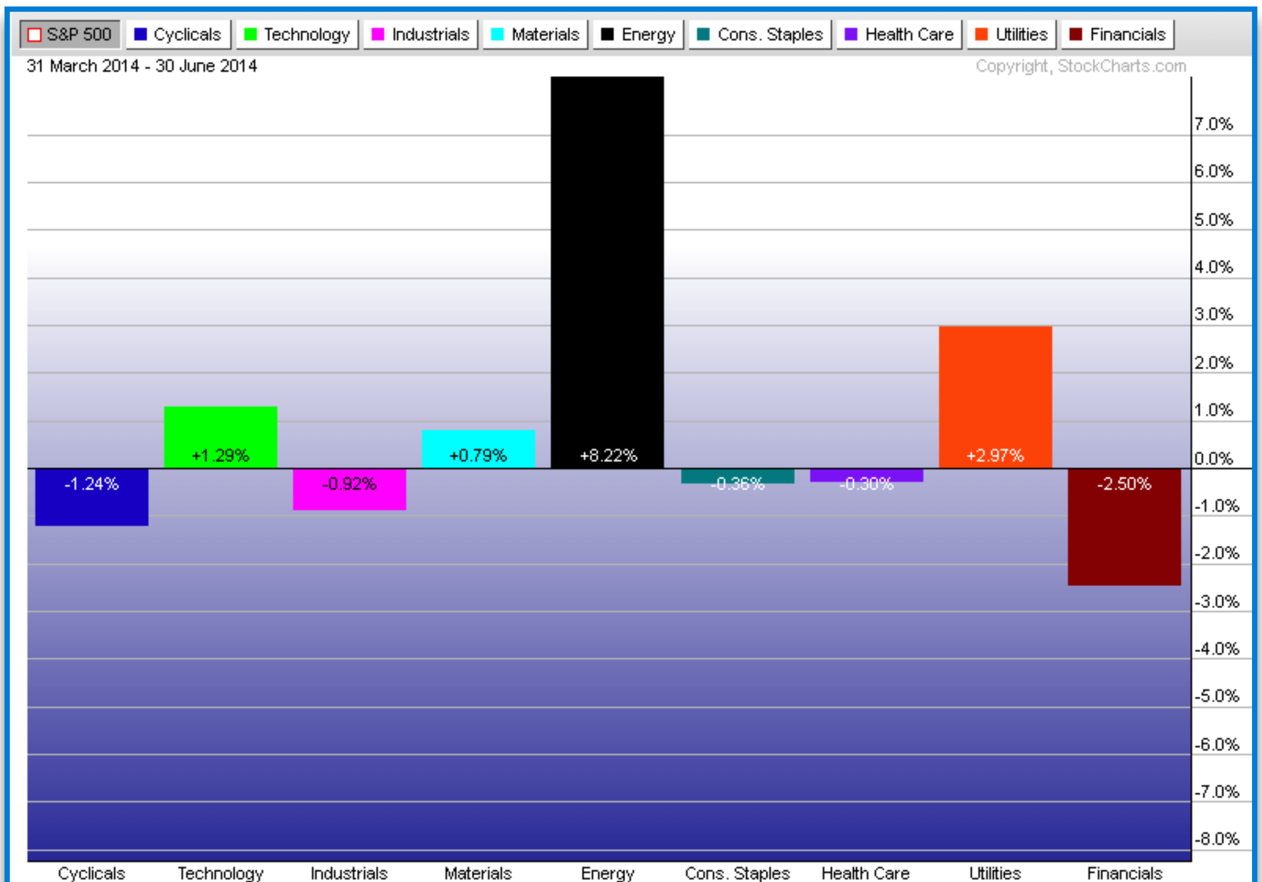
CHUCK GIBSON: So for the first part, as you said, we're going to be talking about the markets, and the second one we'll go into – as you called them – 'bottoms' as opportunities.

For the first part, let's take a look and start off with the hopefully familiar Chart #1. This is a look at how the indexes did across the board both for the final month of the quarter, June, the quarter-to-date and the year-to-date. You can see the interesting thing is that everything on this chart made money for the second quarter.

The S&P was up 4.7%, we had EAFE – Europe, Australia, and Asia – was up almost 2%, the emerging markets were up strongly. They were up greater than any of those at 5.4%. Bonds were up, and gold and silver continue up.

Index	Jun 2014	QTD	YTD	High	Low	Description
S&P 500	1.9%	4.7%	6.1%	1963	1742	US Largest 500 Company stocks
DJIA	0.7%	2.2%	1.5%	16947	15373	Large-cap stocks
Russell 2000	5.3%	2.1%	3.3%	119.5	108.4	Small-cap stocks
MSCI EAFE	0.9%	1.7%	1.9%	69	62.3	Europe, Australasia & Far East (EFA)
MSCI Emerg. Mkts.	2.4%	5.4%	3.4%	43.6	37.1	Emerging Markets stocks (EEM)
Barclays Agg. Bond	-0.1%	1.4%	3.2%	109.4	106.0	Total US Bond index (AGG)
Barclays H/Y Bond	0.9%	1.0%	3.9%	41.8	40.1	High-yield Corporate Bonds (JNK)
Gold	6.1%	2.7%	10.1%	1385.0	1204.5	Gold Spot Price
Silver	11.7%	5.3%	7.8%	22.05	19.27	Silver Spot Price
US T-Bill	0.0%	0.0%	0.0%			3-month T-bill

**All returns are estimates through June 30, 2014. Return numbers are inclusive of dividends.
High and Low columns reflect closing prices from the period 1-01-2014 to 03-31-2014 for the commensurate Index, exchange traded fund or spot price.**



C. AUSTIN FITTS: Gold had a good first half.

CHUCK GIBSON: It did. Hopefully (I'm knocking on wood) that will continue. Let's move onto Chart #2 then. This is a chart of the United States sectors. There is one big line here – one big bar – and that is the energy sector. Everything else was kind of midland other than utilities, but energy dominated the performance during Q2.

C. AUSTIN FITTS: It's interesting because we keep saying this every time you show a sector chart, and that is how remarkable it is that you have a few sectors doing really well and the rest of the sectors flat or not doing well. So it's not an even market at all.

CHUCK GIBSON: No, and you and I have pondered this for so long. Wouldn't it be great if there was a way we could just figure out ahead of time, just to be invested in energy for the flat quarter? Because they rotate on average from one month to three months and they stay strong, but it's fleeting. Unfortunately, as much as we'd like to do that, I haven't quite figured out the secret decoder ring on that one.

Let's move on to Chart #3. This is a look at the world markets across virtually every index that is available in the world markets. Like the United States and Europe-Asia, most countries were up for the quarter. There were a few exceptions, but the big winners were India, Egypt, Pakistan, and the Philippines. Venezuela was the big loser. That hasn't changed much.

C. AUSTIN FITTS: Well, they were the big winner last year. It was just a small part of what they were up last year. When you review all the markets, it does look like a balloon expanding.

CHUCK GIBSON: It does, and is there a reason for that? Is everything wonderful with equities, or is it for some other reason – for example, expansion of monetary policy – that's driving money there?

C. AUSTIN FITTS: Well, we know one of the big financial stories certainly of

Index	Q2 % Chg	YTD % Chg
The Global Dow Euro (World)	4.75	5.5
DJ Global Titans 50 (World)	4.42	4.74
Asia Pacific		
Asia Dow	6.64	6.84
DJ Asia Titans (Asia Pacific)	4.76	1.15
S&P/ASX 200 (Australia)	0.02	0.81
SSE Composite (China)	0.74	-3.2
Hang Seng (Hong Kong)	4.69	-0.5
S&P BSE Sensex (India)	13.52	20.04
Jakarta Composite (Indonesia)	2.31	14.14
Nikkei 225 (Japan)	2.25	-6.93
Kuala Lumpur Composite (Malaysia)	1.81	0.84
NZSX-50 (New Zealand)	0.03	8.54
KSE 100 (Pakistan)	9.18	17.38
Manila Composite (Philippines)	6.46	16.21
Straits Times (Singapore)	2.1	2.79
Kospi (South Korea)	0.84	-0.45
Colombo Stock Exchange (Sri Lanka)	6.87	7.88
Weighted (Taiwan)	6.15	9.08
SET (Thailand)	7.96	14.4
VietnamVN (Vietnam)	-2.27	14.57
Europe		
Europe Dow	0.04	3.27
Stoxx Europe 600 (Europe)	2.26	4.14
ATX (Austria)	-0.91	-1.79
Bel-20 (Belgium)	-0.09	6.96
PX 50 (Czech Republic)	0.28	2.04
OMX Copenhagen (Denmark)	4.73	18.9
OMX Helsinki (Finland)	3.09	3.29
CAC 40 (France)	0.71	2.95
DAX (Germany)	2.9	2.94
ATG (Greece)	-9.09	4.44
BUX (Hungary)	6.14	0.22
ISEQ (Ireland)	-5.91	3.54
FTSE MIB (Italy)	-1.88	12.21
AEX (Netherlands)	2.47	2.83
All-Shares (Norway)	10.96	14.53
WIG (Poland)	4.35	5.95
PSI 20 (Portugal)	-10.59	3.71
RTS Index (Russia)	11.42	-5.31
IBEX 35 (Spain)	5.64	10.15
SX All Share (Sweden)	1.98	5.98
Swiss Market (Switzerland)	1.19	4.29
BIST 100 (Turkey)	12.55	15.76
FTSE 100 (U.K.)	2.21	-0.08
Americas		
DJ Americas (Americas)	4.93	6.42
Merval (Argentina)	23.75	46.3
Sao Paulo Bovespa (Brazil)	5.46	3.22
S&P/TSX Comp (Canada)	5.66	11.19
Santiago IPSA (Chile)	1.16	2.43
IPC All-Share (Mexico)	5.62	0.02
Caracas General (Venezuela)	-16.26	-22.79
Other Countries		
CASE 30 (Egypt)	4.58	20.34
Tel Aviv (Israel)	-0.99	4.43
Johannesburg All Share (South Africa)	6.64	10.14

this year was the Fed taper. As the Fed tapers, it is still continuing to buy an extraordinary amount. Monetary policy in the developed world continues to be pretty loose, including Europe and Japan.

CHUCK GIBSON: Yes, I was just going to mention Japan because Japan actually had a little bit of an upside on the second quarter, but it's still down for the year in spite of all that monetary expansion.

Let's move onto Chart #4. I think I introduced this last quarter. I call this my 'Follow the Money' chart. What this does is it shows money flows in the first section by region.

Equity Funds Fund Flow Breakdown by Region

Region	April	May	June	Q2 Total
Asia-Pacific	$ 177,810,000.00	$ 16,600,000.00	$ (220,430,000.00)	$ (26,020,000.00)
Developed Markets	$ 748,830,000.00	$ 427,430,000.00	$ 870,090,000.00	$ 2,046,350,000.00
Emerging Markets	$ 659,060,000.00	$ 339,000,000.00	$ 122,040,000.00	$ 1,120,100,000.00
Europe	$ 690,060,000.00	$ 433,260,000.00	$ 268,120,000.00	$ 1,391,440,000.00
Frontier Markets	$ 386,660.00	$ 725,220.00	$ (93,980.00)	$ 1,017,900.00
Global	$ (114,160,000.00)	$ (93,400,000.00)	$ 304,800,000.00	$ 97,240,000.00
Global Ex-U.S.	$ 126,760,000.00	$ 145,910,000.00	$ 72,300,000.00	$ 344,970,000.00
Latin America	$ 128,030,000.00	$ (35,680,000.00)	$ (23,000,000.00)	$ 69,350,000.00
Middle East & Africa	$ 12,450,000.00	$ 5,150,000.00	$ (1,860,000.00)	$ 15,740,000.00
North America	$ 6,650,000,000.00	$ 6,900,000,000.00	$ 2,270,000,000.00	$ 15,820,000,000.00

Equity Funds Fund Flow Breakdown by Sector

Sector	April	May	June	
Basic Materials	$ 293,050,000.00	$ 129,590,000.00	$ (132,110,000.00)	$ 290,530,000.00
Consumer Discretionary	$ 18,100,000.00	$ 245,770,000.00	$ 22,710,000.00	$ 286,580,000.00
Consumer Staples	$ (51,970,000.00)	$ 19,860,000.00	$ (279,360,000.00)	$ (311,470,000.00)
Energy	$ 137,430,000.00	$ 318,850,000.00	$ 241,860,000.00	$ 698,140,000.00
Financials	$ 118,980,000.00	$ 259,540,000.00	$ (60,730,000.00)	$ 317,790,000.00
Health Care	$ 223,350,000.00	$ 197,560,000.00	$ (152,920,000.00)	$ 267,990,000.00
Industrials	$ 99,390,000.00	$ 391,610,000.00	$ (17,410,000.00)	$ 473,590,000.00
Natural Resources	$ 43,540,000.00	$ 64,710,000.00	$ (49,860,000.00)	$ 58,390,000.00
Technology	$ 118,520,000.00	$ 167,850,000.00	$ (93,810,000.00)	$ 192,560,000.00
Telecommunications	$ 29,790,000.00	$ 14,750,000.00	$ 8,390,000.00	$ 52,930,000.00
Utilities	$ 120,130,000.00	$ (58,460,000.00)	$ 93,760,000.00	$ 155,430,000.00

Commodity Funds Fund Flow Breakdown

Category	April	May	June	
Absolute Returns	$ 53,110.00	$ 8,610.00	$ (25,680.00)	$ 36,040.00
Agriculture	$ (6,080,000.00)	$ (83,390,000.00)	$ (73,430,000.00)	$ (162,900,000.00)
Broad Commodities	$ 36,880,000.00	$ 148,640,000.00	$ (91,000,000.00)	$ 94,520,000.00
Energy	$ 50,030,000.00	$ (92,640,000.00)	$ 181,780,000.00	$ 139,170,000.00
Industrial Metals	$ 14,900,000.00	$ (51,670,000.00)	$ 47,590,000.00	$ 10,820,000.00
Metals	$ 58,400.00	$ 12,840.00	$ 69,480.00	$ 140,720.00
Precious Metals	$ (1,190,000,000.00)	$ (1,540,000,000.00)	$ 2,960,000,000.00	$ 230,000,000.00

C. Austin Fitts: This is just ETF so it's not the full market.

Chuck Gibson: This is just ETFs. Correct.

C. Austin Fitts: I think ETFs are a good indicator for the broader market.

Chuck Gibson: They are. The other thing is that I don't know the exact number, but ETFs contain more money than do mutual funds. If you're going to pick one as a proxy for the markets, then ETFs are the best.

Clearly the regions were dominated by North America and the developed markets. Everything else was small in comparison. It's interesting how the emerging markets continue. Although they ramped down slightly from start to finish, they're still gaining some traction in positive money flow. The prior years they were negative.

C. Austin Fitts: Right, and they're still relatively tiny compared to the developed market. If you just look at the nominal dollars, developed continues to be the 800-pound gorilla.

Chuck Gibson: Yes. The other thing is that because they're so small, all it takes is a little bit of money flow to get them to bump up in price pretty good.

C. Austin Fitts: Right.

Chuck Gibson: Let's go down to the next little section in this chart. It's looking at sector within the United States. We can see that money flowed directly into energy, and lo and behold that's exactly what we saw reflected earlier. The big winner for the quarter was energy, and of course, that's where we saw the most money flow into.

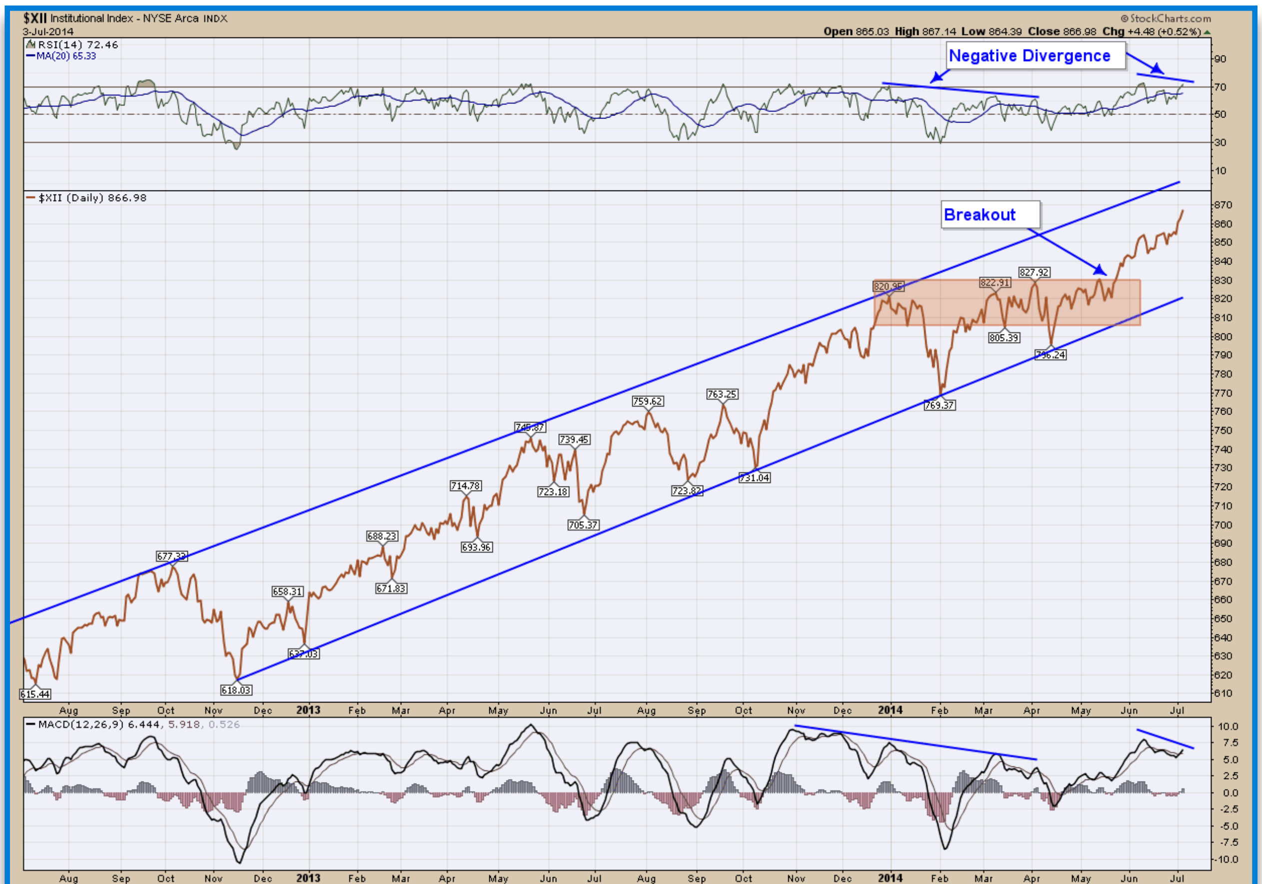
C. Austin Fitts: Right.

Chuck Gibson: So that's why I call it the 'Follow the Money' chart because as long as money is flowing in there, you would expect the prices to go higher.

Finally, let's take a look at the final little section on here which is the commodities. The big winner there was precious metals.

C. AUSTIN FITTS: And with gold doing a little bit better than silver.

CHUCK GIBSON: Correct. Let's move onto Chart #5. That is my institutional index. I think I introduced this last quarter.



C. AUSTIN FITTS: Yes. We looked at it last quarter.

CHUCK GIBSON: I just want to remind everybody what it is. It's a cap-weighted index of 75 of the most widely held equity investments among institutional equity portfolios. Really what it's there for is to try to reflect the performance of core stock holdings of the institutions.

The reason why that's important is because the institutions control 80% or thereabouts of the money, and knowing what they do gives us an insight as to what might happen.

So if you look here, I think last quarter when I brought it to your attention we were in what I consider a consolidation zone. I've highlighted that in that pinkish area. We were chopping around, and lo and behold right in the end of March it broke out. Ever since then it's been marching higher.

C. AUSTIN FITTS: There's no doubt about it that there is a big question mark. I was teasing you today because we had Greenspan announce that the market was going to consolidate. ("Thank you, Alan.") But that's because the seasonal patterns are usually such that we keep reminding you on The Solari Report about 'Sell in May and go away.' The seasonal patterns would typically call for a correction at this time. We know that summer in the second term and in the mid-term election period is statistically – from historical patterns – a weak time, and yet we see very little weakness.

CHUCK GIBSON: I'm glad that you brought that up. I'm going to repeat myself a number of times because it took me a long time to figure this out. There are a lot of people who like to call tops, and what I don't want to do is be a top picker. That's not what I'm saying.

As long as the market is printing higher high's and higher low's – and that's exactly what you see – a top is an in.

C. AUSTIN FITTS: So the market's behavior says that stocks are the place to be, typically US stocks, and yet I think it makes a lot of people nervous. The seasonal patterns say this shouldn't be a good month, but that's not what's happening. We did a great Solari Report where you described the returns to the long-term investor if they buy high, so there's a real concern about buying high, and yet if you look at the institutional chart, what it says is the market is going higher.

CHUCK GIBSON: Yes, well the other thing I wanted to point out here – and I'm going to go off on a tangent – is this chart helps me explain what it is that I want to reemphasize because I think it's really, really important. I can't emphasize it more because it took me about a year. I kept hearing this, and it really didn't register with me. I'm going to continue to repeat myself. Hopefully your listeners will pick it up sooner than I did.

Markets do two things – only two things. They either consolidate – which means they go sideways – or they trend. Trending can be up or down.

What you do when they're in a trend is you want to invest in them because the trend is your friend. Be invested when you see a trend.

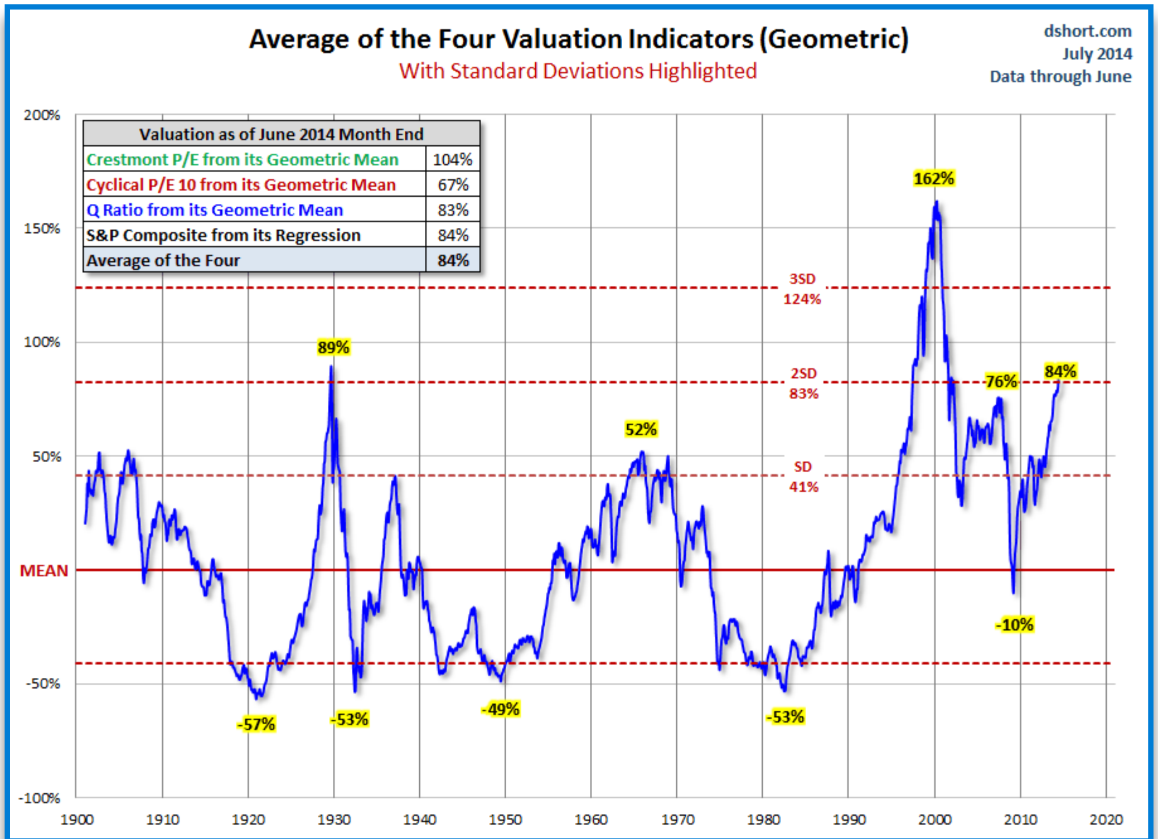
The times you should be concerned is when you start to see consolidation because that means one thing. It means that there is an equilibrium between buyers and sellers, but what that means is that at some point in time that equilibrium is going to break. Once it breaks, you want to be on the side of the break. If it breaks down and you're in stocks, that's telling you that you might want to consider lightening your load. If it breaks up, that's further confirmation that if you weren't invested, now is a good time.

C. AUSTIN FITTS: To me, what the institutional market says is that the trend is up.

CHUCK GIBSON: Absolutely, and don't fight it. You're going to get a signal – maybe a little bit later than you like – but you're going to get a signal that the trend has ended.

I think the next chart is one other reason why we – including myself – tend to be a little bit cautious. This is evaluations.

We don't like to buy at tops, and we don't know where the top is, but because we can't put a point or a measure on what a top is, we have a reference point which is valuations. Right now we're at 84% above the mean. What that means is that we're roughly at two standard deviations away from the mean.



C. AUSTIN FITTS: Right, and you're talking about mean of the price earnings ratio.

CHUCK GIBSON: Correct. Thank you. I was going to get to that.

C. AUSTIN FITTS: Let me jump back for the people who are not investors traditionally. If a company has a dollar of earnings, and its stock trades at $10 so it's earnings are a dollar per share and its stock is valued at $10 a share then its P/E is ten times earnings.

CHUCK GIBSON: Correct.

C. AUSTIN FITTS: So the question is when you look at the average P/Es in market, you're saying here's how much the market values a dollar of earnings, and we are relatively very high. The old saying is that everything always reverts to the mean so the higher you go relative to the mean you're always wondering, "Oh, no. How do I get out before it starts to revert?"

CHUCK GIBSON: I've got to give you a compliment. You always explain that so well. Last quarter you stepped in and interjected for me to help explain it. I thank you for that. That's perfect. I couldn't have said it any better.

C. AUSTIN FITTS: I always laugh at this point because I'm the great believer that there are scenarios where it can 'crash up' or go much higher. I just kept laughing because I was reading a book that we both love this weekend, and it kept quoting Keynes who said, "The market can remain irrational much longer than you can stay solvent."

CHUCK GIBSON: Exactly. I love that saying, and there's a good example right there. Look at the year 2000 on this chart. Right now we're at 84% above the mean, but that one was 162% above the mean.

C. AUSTIN FITTS: Right.

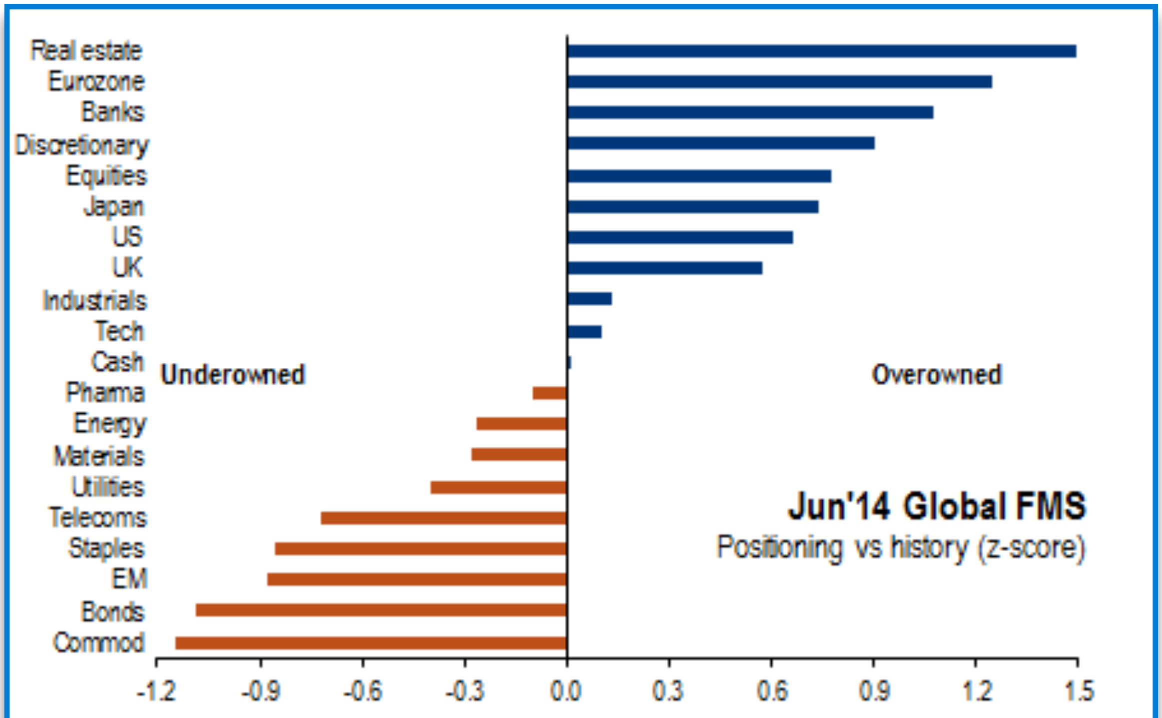
CHUCK GIBSON: It doesn't mean that this is the end because I don't know if you remember, but last quarter this was at 79%. It bumped up five points and now we're up to 84%.

Why fight it? If the market for whatever reason – and I don't know why – is going to go up and it wants to continue to go up, why should we try to fight it?

C. AUSTIN FITTS: Traditionally we need to understand that it does revert to the mean. If we're above the mean, we need to keep that in mind and be cognizant.

CHUCK GIBSON: Exactly. That's good. I'm glad you said that. I'm going to talk a little about that in my last chart.

If we go to the next one, Chart #7, I find sentiment really exciting and interesting because it's something that is conceptually very hard to grasp



but it really has an impact on the market. What I wanted to do was each time that I come onto The Solari Report I want to make sure that I include some sort of sentiment indicator or valuation here.

The reason why is because when it comes to extreme levels, that's when you as an investor should look for opportunities. When everybody is on one side of the boat, you want to be on the other side.

Here's the example: If everybody hates something and they don't want to own it and they've sold it because they think, "I want to take my money and go somewhere else," there is nobody else to sell it. It can't go any lower. It doesn't mean it is going to go up. It just means the chances of you losing money are really low, and at some point in time – as long as it's a good investment – somebody is going to find it of value and it's going to start to pick up in price.

What you are is you're bottom-picking. This is why sentiment is so important. What this is is Merrill Lynch puts together a Fund Manager Survey where they poll a whole bunch of fund managers asking them how they have their investors' money positioned into what places as compared to history.

If you look at it, what you really want to focus on is the stuff at the extremes because the stuff at the middle is not that big of a deal. The stuff at the extremes there is important.

If you were a contrarian and you wanted to go against the crowd because that's the right place to be, you would want to have exposure to commodities, bonds, and the emerging markets while you really want to consider reducing your exposure to real estate, banks, and the developed markets.

The one thing this doesn't tell you about at all is timing on all this. This could stay this way for quite a while, but eventually – as you said, things revert back to the mean – you're going to see those things swing to the other side.

C. Austin Fitts: The one difference between this and the surveys I've seen, I go back to the Citibank survey at the beginning of the year where their family offices showed 39% in cash. So it's much bigger cash positions than this is showing. That's what I still see, but obviously my sample is much smaller.

Chuck Gibson: I don't know that survey. This one is only for fund managers. I don't know if that was for fund managers also or if that included something else.

C. Austin Fitts: That was for family offices.

Chuck Gibson: Okay. So that's it for sentiment. One of the things that was on the sentiment chart was talking about the commodities, so let's look at Chart #8, the commodity chart.

C. Austin Fitts: CRB is a very broad basket of commodities.

Chuck Gibson: Yes. I think it's 19 separate commodities that include foods,

oils, natural gas, and all different types of commodities. It is a basket. I think it was last quarter that I presented that we had a breakout of this long-term down-trend line that has been bugging us for three years. We knew at some point in time it would create an opportunity, and it presented itself.

What you see here, as I'm going to point out, is that you had the break out, and then it marched very nicely higher. Then right now what is it doing? It's consolidating.

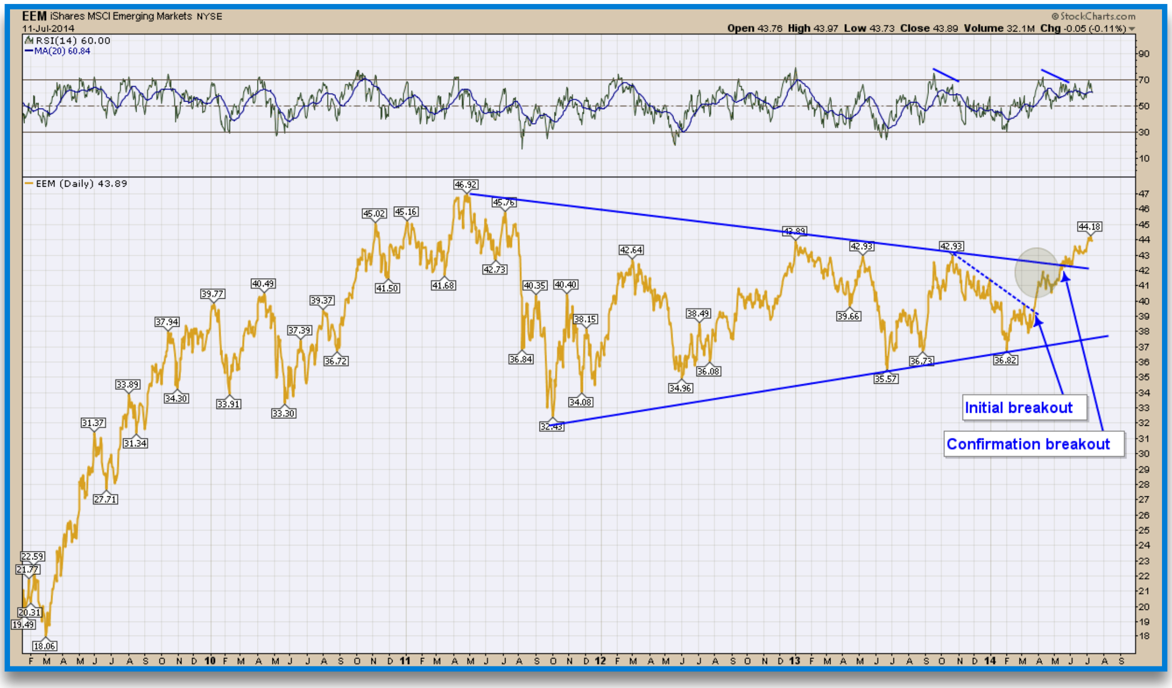
C. AUSTIN FITTS: Right.

CHUCK GIBSON: As an investor, you have to look at that and say, "Consolidation. Raise a flag. Is this going to break up or is it going to break down?" At some point in time it's going to break out of consolidation, and we want to make sure we're on the right side of it. So as long as it's trending, you just sit back and enjoy the gains. When it's consolidating, you have to raise a flag and look closely and watch it.

C. AUSTIN FITTS: Right. Then it breaks out and then it fakes out.

CHUCK GIBSON: Well, I didn't want to go there. That's true.

Let's go to the next chart which is the emerging markets. That was another area where the sentiment indicator was telling you that you probably want to be overexposed at this point in time.



C. AUSTIN FITTS: Right, but it has to be related to commodities.

CHUCK GIBSON: I was just going to say that it is exactly related to commodities, and what you normally see is the emerging market chart looking very, very similar to the commodity chart.

While this one isn't quite as steep a downtrend like the commodities was in, it too had a downtrend for the last three years and it had a break out. I pointed out that first break out last quarter. I pointed it out and said that I was a little wary because I just thought it was a short term. I'd be a lot more interested if it broke that bigger, longer term solid blue trend line which it finally did in the second quarter.

C. AUSTIN FITTS: One of the challenges is the seasonal challenge. If we do get a seasonal correction, then you would expect everything to correct – the air go out to the balloon. If we are in a break out, the question is: When do you buy? You know if you get a correction it's going to drop some more.

CHUCK GIBSON: Right, and also you talked about the fake out. I wasn't going to go down there, but those who already own commodities, if you to fall or you are saying, "Uh-oh. Is it time to get out of the way because this is actually a reversal of direction and I need to get out of the way, or is it just a larger consolidation?"

The other thing I did want to point out was that when I mentioned the fact that commodities look very similar because of the emerging markets, notice what is happening. We have a divergence. We have the emerging markets marching higher because it's higher highs and higher lows, but yet they can go back and look at the commodity chart. What we had were higher highs and higher lows, and now it's sideways.

Normally they move in lockstep, so something is wrong. One of these two is wrong, and I don't know which one it is. Either commodities are the right way and emerging markets are going to start to correct, or we're going to see the commodity chart start to pick up in gear and take off and follow the emerging markets.

It is of interest, and I think it's something worth following closely.

C. AUSTIN FITTS: We know over time that we would expect that the consumer portion of their economies grow larger and so commodities end up being a smaller part, but that's going to take a long time. That didn't just happen over the last three months.

CHUCK GIBSON: That is true. It goes back to all of the timing. There is just no way to know. You just have to have some patience.

Let's move on to Chart #10. Since we were on the discussion of the commodities, normally when commodities and the emerging markets are rising that is a good indication that there is inflation. So as soon as I saw the commodity chart and as soon as I put the emerging chart together I thought, "I've got to tie this all together with looking at inflation."

I pulled this table from Stockman who I trust with the data.

Living Expense	Jan 2000	March 2014	% Increase
Barrel Of Oil	$24.11	$100	314.80%
Fuel Oil (Per Gallon)	$1.19	$4.07	242.00%
Gallon of Gas	$1.27	$3.51	176.40%
One Dozen Eggs	$0.97	$2.00	106.20%
Annual Healthcare Spending (Per Capita)	$4,550	$9,300	104.40%
Ground Beef (Per lb)	$1.90	$3.73	96.30%
Movie Ticket	$5.25	$10.25	95.20%
Average Private College Tuition	$22,000	$37,000	68.20%
Electricity (Per Kwh)	$0.08	$0.13	59.50%
New Car	$20,300	$31,500	55.20%
Coffee (Per lb)	$3.40	$5.20	52.90%
Natural Gas (Per Therm)	$0.71	$1.08	51.40%
Avg. Home Price (Case Shiller)	$161,000	$242,000	50.30%
Postage Stamp	$0.33	$0.49	48.50%
Avg Monthly Rent (Case Shiller)	$635	$890	40.20%
CPI	$168.80	$234.78	39.09%
PCE Deflator (Fed's Preferred Measure)	$81.78	$107.66	31.65%

Source: David Stockman

C. AUSTIN FITTS: This is a great chart because every time the Fed says that food prices aren't up, I think, "Clearly they don't shop for themselves." They have no clue!"

CHUCK GIBSON: The one thing I did want to point out is they can see the chart and what's on there and see some of the mind-blowing increases that we've seen since the year 2000. The most important one – or the one that makes me laugh – is going down to the second row from the bottom which indicates the government reported Consumer Price Index. It shows that over that period it has risen 39%. Look at what reality is, which is all the things on top of it.

C. AUSTIN FITTS: Right. It is one of the great market diversions of our lifetime.

CHUCK GIBSON: Exactly. Don't pay any attention to the guy behind the mirror.

C. AUSTIN FITTS: Going back to sentiment for a second, what I've seen is coming out of 2008 and 2009 everybody was worried about safety. As the inflation is squeezing more and more there has been a real concern, "Where can I get yield?" I would encourage everybody to go back and listen to The Solari Report we did with Chuck on why dividends matter because I think that is one of the dynamics we're seeing. There is a real need for yield, not just in the bond market, but in the stock market as well.

CHUCK GIBSON: It has a funny way of pushing things around, doesn't it?

C. AUSTIN FITTS: It really does.

CHUCK GIBSON: My final chart for Part One, what I did was put together a ratio chart of the S&P to the 30-year Treasury bond. That is in the top pane there – the bigger pane. Below that is the S&P 500.

All I wanted to do was illustrate one thing. I can't tell you how many people are picking tops and I can't tell you how many people were afraid that the market was going to crash from here. Well, it's possible. Anything is possible, but if you look at the past two peaks – and this is what I go from – look at this ratio and at that peak it was not at the peak of the stock market.

What I'm saying is that the peak of the stock to bond ratio started to fall before prices of stocks actually started to fall.

C. Austin Fitts: Right.

Chuck Gibson: So what this says to me, again, is if history is of any consequence and we get some repetition and a pattern, even if this is the top in this ratio, stocks haven't topped out yet.

C. Austin Fitts: Right. This chart is very interesting to me for several reasons. I was brought up once upon a time on "buy and hold." You buy a stock and you hold it for 20 years. What this ratio chart clearly says is switching your allocations between stocks and bonds in the cycle makes a whole lot of sense. You don't have to be a guru and pick the exact top and exact bottom. Sensible switching makes a whole lot of sense. That is number one.

Number two, the other thing it says to me is that we've got a real conundrum because when the time should come when we think it's time to switch to bonds, if you look at what we all did in 2008 and 2009 when we went to cash or when we went to bonds, it was a lot easier because the quality questions were nowhere near as tricky as they are today.

This time, if you have another time when it comes to switch, there are real credit issues in the bond market that didn't exist then – or they certainly weren't as prevalent. The next switch from equities to bonds is going to be a trickier one.

CHUCK GIBSON: Oh, it absolutely is and you made up a really good point. I don't know how we are going to be able to address that because even the things that were considered safe at that time, my question is whether or not we would still think they are.

C. AUSTIN FITTS: Right. And the last thing I wanted to bring up before we close is I have to go back to seasonal patterns because I love to look at seasonal patterns. If you look at what time of year is generally good in the market, but in the second term of a presidential cycle and mid-term election the fourth quarter is normally a good quarter.

CHUCK GIBSON: Absolutely.

C. AUSTIN FITTS: So seasonal patterns would not necessarily argue for a great third quarter, but they would argue for a reasonable fourth quarter.

CHUCK GIBSON: Absolutely, even independent of which year in a presidential cycle we're in or whether it's an interim election year or not. The fourth quarter is always the best quarter of the year.

C. AUSTIN FITTS: Right.

CHUCK GIBSON: I've gone back and studied this very extensively. There are many years in which the stock market is down from start of year to end of year, but the fourth quarter is a really good time to be invested even though the rest of the year was terrible.

C. AUSTIN FITTS: The reason I'm such a believer that we could get what's called a 'crash up' scenario is the bond market is huge compared to the stock market. The question is: If you have real quality issues in the bond market, where are you going to go?

CHUCK GIBSON: That's it. It's the second biggest market, so it's going to find a home for some of that money. There's no question.

C. AUSTIN FITTS: Right. We can't all go to cash.

Okay. Are you ready to start Part Two?

CHUCK GIBSON: Yes, but before I do, I've gone back and I've listened to the things that I said on the prior Solari Reports. I can say that in general if I didn't know me, I would think I was bearish because I tend to present the cautious, bearish side. I just wanted everybody to realize that I'm not throwing in the towel on being cautious because that will always be my nature, but I did want to try to take a more balance approach. That is why I wanted to present that final chart, just to show that this market could have more legs up and we shouldn't be trying to call and pick tops and/or think that it couldn't go higher just because valuations are where they are.

C. AUSTIN FITTS: Okay. So can I be the bear?

CHUCK GIBSON: Absolutely.

C. AUSTIN FITTS: I've talked about this several times on The Solari Report. We know that we saw survey reports that we are seeing more and more government-controlled pension funds and sovereign wealth funds shifting into equities and what is called 'cross-border' assets. We've got a big presence of very large pots of what I would call 'centrally managed money'. So we have a financial system globally which is number one, very centrally managed, and number two, has extraordinary amounts of both debt and derivative leverage.

"We have a financial system globally which is number one, very centrally managed, and number two, has extraordinary amounts of both debt and derivative leverage."

When you have something that is very centrally managed and has a lot of leverage in it, the swing of what could happen gets wider and wider. It's like a pendulum that can swing much wider. A market tends to ground you back to ground against the fundamentals so the potential for swing is likely to be less.

I think the unnerving thing if you're looking at your investment options is a pendulum that can swing between a P/E of 6 and a P/E of 162 can make you very nervous. What was the bottom in 2008? Was it eight or ten?

CHUCK GIBSON: Actually it didn't even get into single digits. That was one of the reasons why those that follow the market think that that was not the bottom.

C. AUSTIN FITTS: Oh, okay.

CHUCK GIBSON: That was one of the arguments. I think it was 11. It was double digits, but it wasn't single.

C. AUSTIN FITTS: All I can tell you is something that can swing from 11 to 162 makes me nervous.

CHUCK GIBSON: Of course.

C. AUSTIN FITTS: I think that's why you tend to sound like a bear, because you know the variability which is possible.

CHUCK GIBSON: I know. And you, unfortunately, have to listen to me every single day. You understand me, but I just didn't want everybody to come on here and think that I was a bear. I do think what you have to do is take what the market is giving you. At some point in time the pendulum is going to swing the other way and you need to get out of the way.

Believe me, I'm not Pollyannaish at all, but you have to take what the market is giving you. Don't call tops. Just be prepared to react when you need to. That's all.

C. AUSTIN FITTS: Right. Okay. Are you ready?

CHUCK GIBSON: I am.

C. AUSTIN FITTS: I tried to come up with a title for this section other than

'Finding Bottoms' but I couldn't!

CHUCK GIBSON: When I read what you wrote, I thought, "This is going to be funny." I was going to say something, but I didn't want to be off color. I'll just keep quiet.

So, each quarter when I know this is coming up I try to look for either something that's educational or some form of a usable strategy to help investors create a winning edge, and that winning edge is to – not 'beat the system' – but to protect what they have and maximize gains.

C. AUSTIN FITTS: Right. One thing I should say is one of the reasons we think a lot about this right now is you have something that is strong and trending upwards that is very high. It is perfectly natural to say, "How can I switch from something that is high and get into the next thing to begin?" It's a very logical thing, particularly because I'm always bugging you, "Is it time yet for the emerging markets? Is it time yet?"

CHUCK GIBSON: Yes, that is true, listeners. That is exactly what I get to hear all the time!

Just as an example, last quarter I presented that simple moving average cost over a system. Historically that has done a fantastic job at outperforming the market. In keeping with that same theme this quarter, what I thought of is that when we talked about this, the original discussion was more about value investing. Value investing – whether you want to call it 'bottoms' or not – there are stacks and stacks of investment research that show that value investing really has outperformed all other approaches for investing for those who have long-term investment prices.

If you're a day trader or somebody who is a momentum trader or short-term, this discussion is not going to be for you. But if you're a long-term and you want to 'buy and hold' – although in my mind you're always going to have to manage it – then you want to, as you always try to point out, pick a point at which we think it has bottomed and the direction has changed and it really can't go much lower.

I'm not sure if everybody knows, but I consider myself a tightwad. That's not very politically correct, but I'll consider myself a value investor. I'm always in search of those illusive, unloved, beaten down investments that have good long-term prospects. I'm not talking about junk. I'm talking about those that have fallen out of favor for one reason or another.

If you're patient, these investments will be the difference between average portfolio returns and outperformance, kind of like the model that I presented last quarter.

"If you're patient, these investments will be the difference between average portfolio returns and outperformance…"

C. Austin Fitts: The quote I gave you from Buffet on Monday – "Whether they're socks or stocks, I like quality merchandise when it's priced down."

Chuck Gibson: Yes. So what I'm going to do tonight is just attempt to build a functional framework to identify some rare nuggets and what to look for for bottom opportunities.

C. Austin Fitts: Okay.

Chuck Gibson: In my mind, the problem with value is that there is no definition of what that means. For me, what I'm doing is just using my definition for value. The things that I look for are three basic common characteristics. First off, there is a sentiment extreme. Sentiment is really hard to measure, and there are a few companies that do track it. You can find it for stock markets. You can find it for a few things like some commodities such as gold and silver, but it's really hard to find it in general.

If you do find it, that is one key that you really want to have on your behalf. As I said before, if you're looking for a bottom, you want to make sure that as many of the people who had that investment have sold it because it can't go any lower. That was item number one.

Item number two is what I call 'exhaustion selling'. What exhaustion selling is is when you have a capitulatory 'everybody just throws in the towel' and you have this huge spike in volume. On a stock, you're going to see a huge spike in volume above whatever is normally seen on a daily basis.

The huge spike does not correlate to the bottom. I just want to say that, and I'll show you that in some charts. What that does is it tells you that the majority of the herd has thrown in the towel. There are always going to be those late to the party or non-believers who are going to go in after the fact.

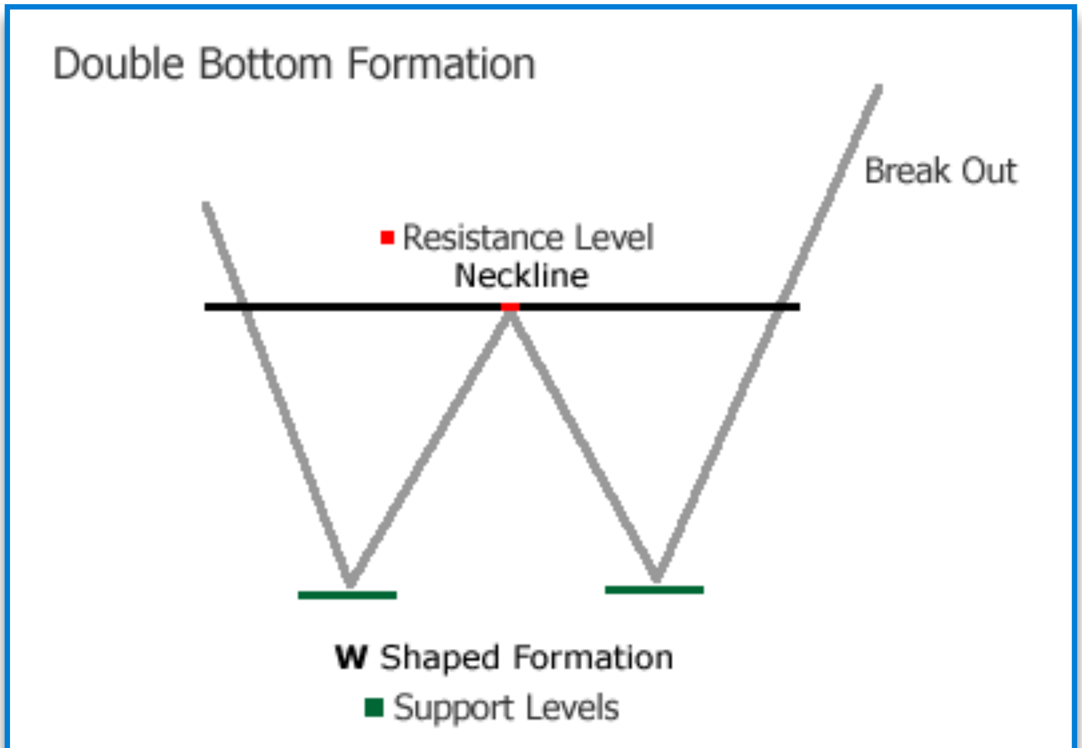
What you tend to do is you see a spike and then you see a direct decline in volume but prices continue to fall. It's when that dramatic decline in value and prices have bottomed that it tells you that the exhaustion selling is over.

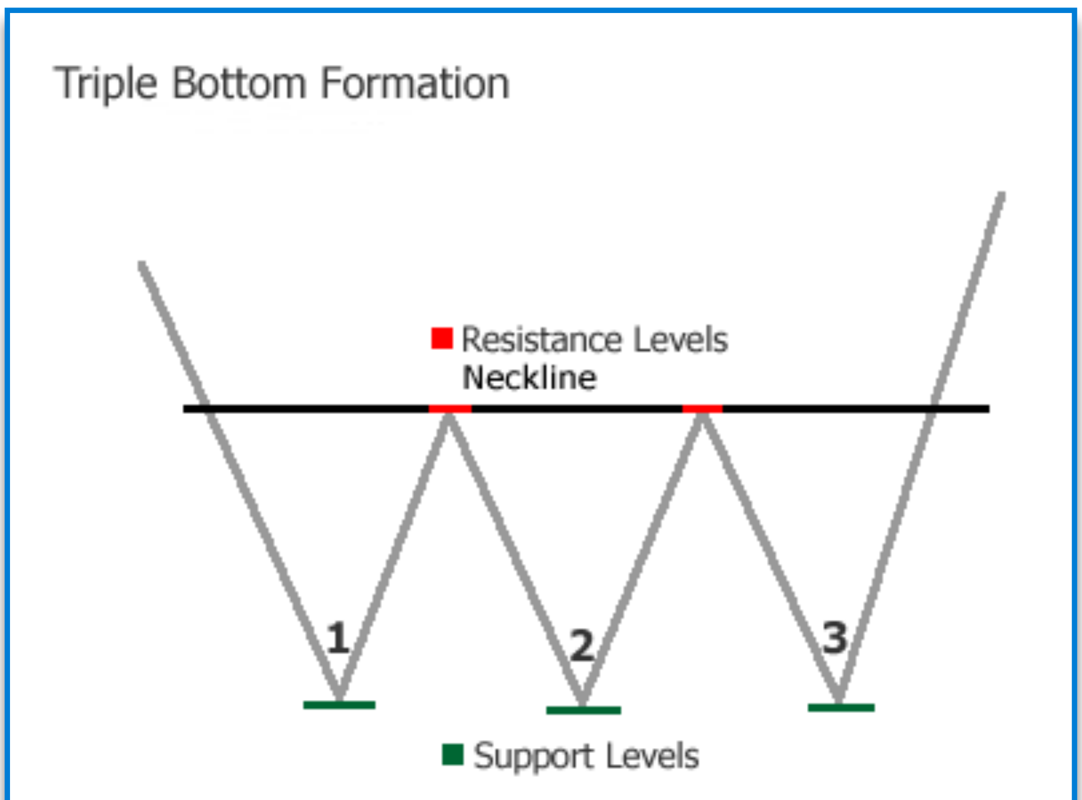
One thing I do want to point out is that you are going to find exhaustion selling more in stocks than you are in commodities. The reason why is because if you're growing corn, you are naturally going to go out and buy a hedge on corn. You're going to have to hold on to that hedge regardless of whether the price is going up or going down.

C. Austin Fitts: Right.

Chuck Gibson: You're not going to see the kind of selling that you would where you have everybody just throwing in the towel.

The final common characteristic is that there is a bottoming pattern. What I mean by that is let's take a look at some images that I put together. The first one is Chart #12. What you see is a double bottom. What you see is a fallen price, a slight rise back up, and then a fall back to about where the prior price was. Ideally you would like to see it a little bit higher, but it doesn't have to be. That was the final end to the selling, and from there it moves on up.


Double Bottom Formation
Break Out
Resistance Level
Neckline
W Shaped Formation
Support Levels


Triple Bottom Formation
Resistance Levels
Neckline
1
2
3
Support Levels

The next example of a bottoming pattern is a triple bottom. It's very, very similar to the double bottom. The only difference is that it comes back down and does it three times.

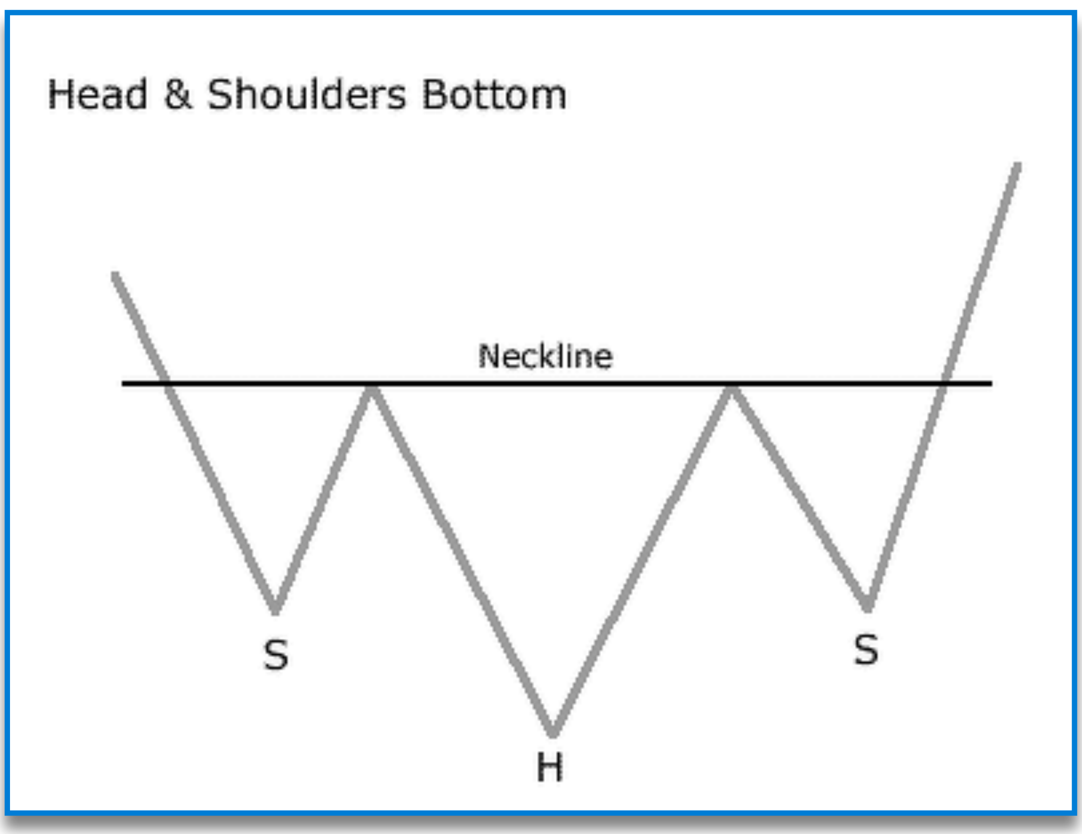
C. Austin Fitts: So you bought and then you got faked out.

Chuck Gibson: Yes, and then you go, "I'm getting out," and then it goes back down to the bottom again and then it takes off.

C. Austin Fitts: Yes.

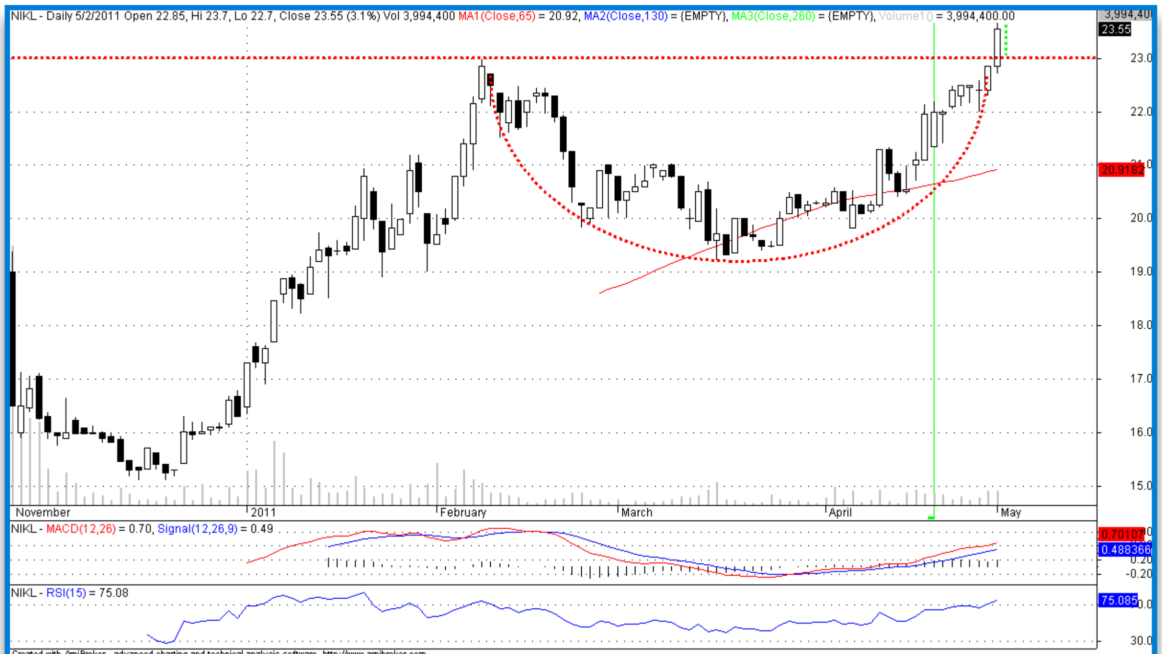
Chuck Gibson: This is where you have to be patient and you have to wait for some indication to tell you that the bottom is in, but we're going to get into that in a little bit.

The next one is just a variation on a triple bottom. This is an inverse head and shoulders. All this means is that it looks like an upside down



right shoulder, right shoulder, and a head. What you see is you see a drop in price and then a slight move up and then a further drop in price. Ideally this is a really good, high probability bottoming pattern when you see that second or final shoulder – that right shoulder – being formed and it's above the head.

Finally there is the Chart #15, the elusive rounded bottom. If you're a Japanese candlestick lover, they are called 'fry pan bottoms'.



So what you're going to see is some variation of those four things. Really, it's only one thing, but until you go through them you can kind of see how they call kind of look together. If you looked at an example of the rounded bottom, you could really see a head and shoulders there.

C. AUSTIN FITTS: Right. So when you come out the other side, what you are really doing is you're waiting to see some indication by the change in prices that this bottom period is over.

CHUCK GIBSON: Yes. Prices would tell you that the bottom is in, but these indicators help you gauge that we're getting close.

C. Austin Fitts: I would say this. It is a lot harder to be confident that the bottom has happened than it would indicate. I would say the precious metals market has been real proof of that because every other day you have all these Gold bugs calling it bottom, and of course it doesn't happen.

Chuck Gibson: Yes. We'll get into that at the end. What I've done is I've put together some examples to try to show everybody how it's worked out.

Let's go to my next chart which is Chart #16, crude oil. What I wanted mention before we got into the crude oil is that these patterns are fractal in nature. What that means is that they are good across any time period that you are looking at. Whether you are looking at an hourly chart, a minute chart, a daily chart, or a weekly chart, you are always going to see consistency in those kinds of things. That same pattern is going to be

available so you don't have to limit your ability. Depending on the kind of investor you are, you're going to see that thing.

The other thing that is important to remember here is that commodities are going to be a little bit more difficult to manage. Just keep that in mind. It's much easier to see these bottoms after they happen rather than when you are in the middle of them.

C. Austin Fitts: Right.

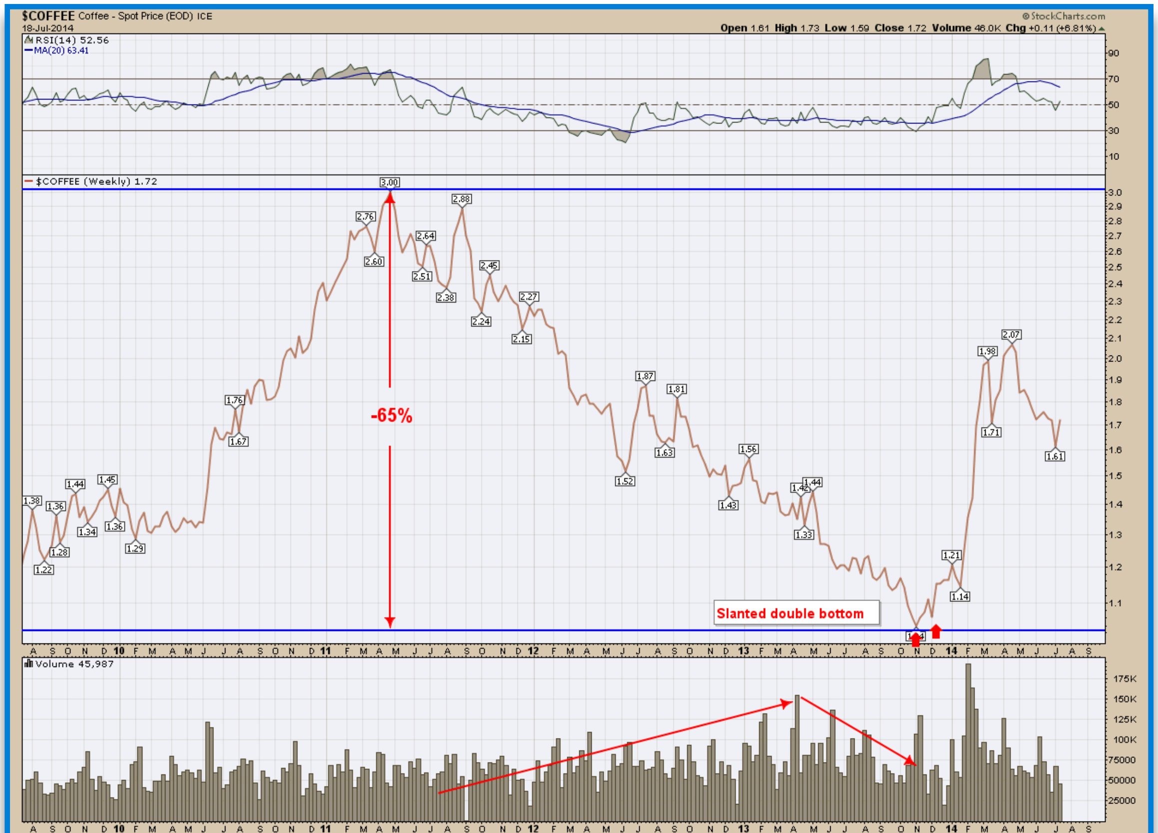
Chuck Gibson: I think that was your point. So let's take a look at Chart #16 which is crude oil. In 2008 it peaked at 146. It fell down to the bottom in 2008-2009. What you see first off is it had a decline of 50% or more. That was item #1 and the first thing I look for. The second thing I look for is some sort of bottoming pattern. It was a really nice double bottom there.

If you look at the volume which is in the lower pane, you can see that volume really didn't indicate any spikes along the way. This is one where volume isn't going to help you confirm that you got a bottom because that is how oil is.

Let's take a look at the next chart which is coffee. This is another commodity, but just by how coffee is traded, volume did help correlate and confirm what we saw. Again, we saw a peak in 2011 at $3.00 per bushel, and what we saw was a bottom in 2013 at below $1.00. That fell 65% and met that criteria.

We had a double bottom. That was a little bit slanted, but that's perfectly fine. It's a variation of the double bottom. And we saw the capitulatory selling because, as I said, you're going to get a spike in volume. You saw that around April of 2013, and then prices along with volume continue to drift down and down and down.

You've got a bottom, and there was your signal. Look at what happened afterwards. It went from $1.00 to over $2.00 in less than three or four months.



C. Austin Fitts: Right.

Chuck Gibson: So that was a double in three months. I remember following that and thinking, “Gosh, I wish I would have gotten into that because it was a really good buying opportunity. Lord, I missed out on 100% gain in three months.”

C. Austin Fitts: It’s much easier to find them in hindsight.

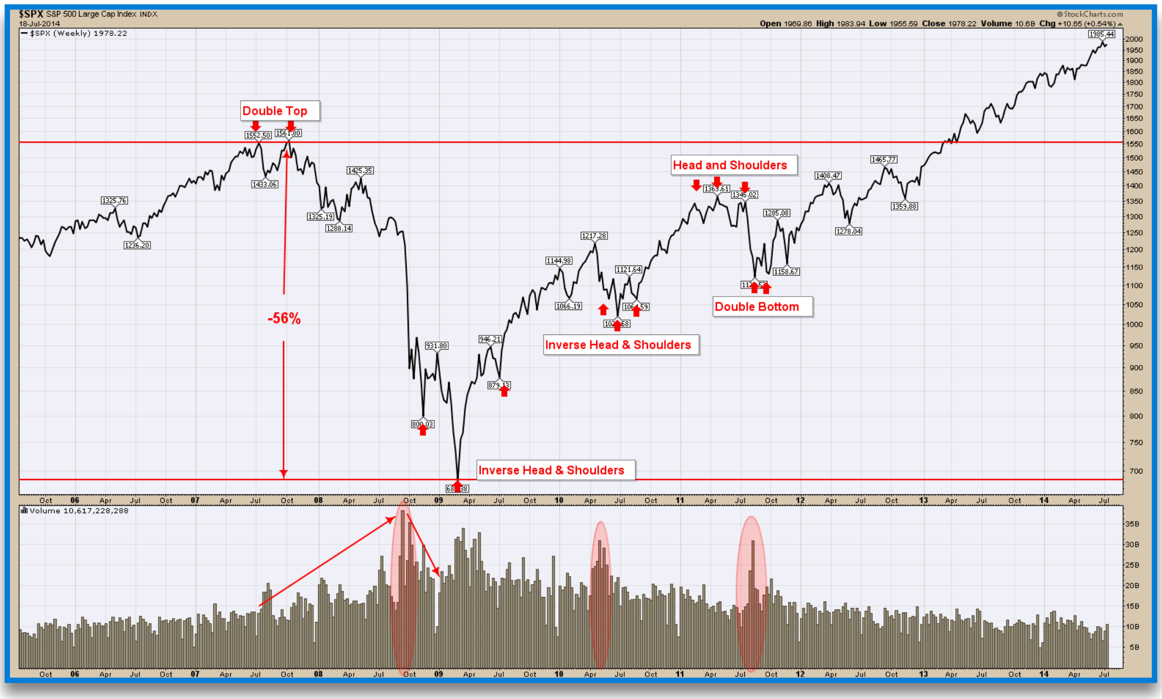
Chuck Gibson: Yes it is. Maybe not so much to find them, but be convinced that they will be worth your investment. That’s the next thing.

So now we’ll switch commodities and look at some individual stocks. You might have heard of this company called Apple. It had a peak in 2012. Now this is a shard adjusted price because they went on a one for seven split. They had a peak in 2012, it bottomed in 2013, and look

what you've got. You've got somewhere between 40-50% which is what I look for as a minimum. I got a double bottom signal which you can see they are almost exactly the same bottoms. But most importantly, notice the volume spike that you got – a capitulatory volume spike – and then you got a volume decline which lead to everybody finally throwing in the towel. Then lo and behold, once the bottom is in, what happens? It doubles in price.

C. Austin Fitts: Now I find it much easier to try to assess a company than a commodity because if you are looking at a company's cash flow, you can estimate value. You will see situations where the price swings way under what I might estimate the value is or way over, whereas with a commodity, who knows?

A commodity doesn't have a dividend flow. It doesn't have a cash flow. I think it is much harder to value than a company.



CHUCK GIBSON: I couldn't agree more. You have some reference points that you know. Whether they are right or wrong, at least you have some reference points for valuing a stock or a company than you do a commodity.

C. AUSTIN FITTS: Right.

CHUCK GIBSON: In the final chart I wanted to take a look at is the S&P. I included the entire chart because I did want to talk about something besides the bottom in this one.

Again, I look for a minimum of 40% decline. From top to bottom it went 56%. What we had was inverse head & shoulders there. It was a massive head there from the shoulders, but that was a very interesting and well-signaled bottoming pattern there. I mean, when you find those, those are high probability investments.

C. AUSTIN FITTS: To me it's much more meaningful because you're talking about a very broad basket as opposed to something like coffee or Apple where you're talking about one commodity or one company.

CHUCK GIBSON: Yes. Also, just to show you how these things continue to work, if you move on over to the right of the slide you will see that we had a decline back in 2010 and you can see that it created an inverse head and shoulders and it took off from there.

C. AUSTIN FITTS: Right.

CHUCK GIBSON: And you can see it had another decline in 2011 and it created a double bottom and it tipped off from there.

These things happen all the time, but the difference between those last two bottoms was the fact that it hadn't fallen 56%. When I'm looking at it – being the tightwad that I am – I want to get in, because I had no idea, I would much rather buy it after a 56% sell-off than a 10 or 15% sell-off. That is why I'm looking for that first criteria which is the major sell-off.

The other thing I wanted to point out – and I skipped over it –was the fact that you had a capitulatory selling. The selling volume declined, and as that declined that reached the bottom of price and then volume started to pick up as the price starts to increase.

C. AUSTIN FITTS: Right.

CHUCK GIBSON: The other point I wanted to make before we move on to what the whole topic is about, is that the inverse works too. These bottoming patterns, if you flip the chart upside down, you have the same exact bottoming patterns that will when turned upside down become topping patterns.

For those who want to look for tops because they want to get out, there is nothing different. The volumes may or may not be, but the patterns will be the same.

C. AUSTIN FITTS: Right.

CHUCK GIBSON: You will get a double-top. You will get a head & shoulders top. You will get a triple top or you will get a rounded top. All of the things look exactly the same, so whether you are talking about tops or bottoms – and this was just a discussion on bottoms – the patterns are the same.

All right. Now what I wanted to do once we had that under our belt was I just wanted to state before we move on that just because those three criteria are present doesn't guarantee it's a bottom. All it does is increase the odds that a bottom is in. What I did in Chart #20 was I wanted to show you an example of one that didn't work out – at least so far.

Here is a look at corn. It is a commodity. It lost 42% from its peak to its bottom – or what could have been a bottom. What you see is that it very much looks like a rounded bottom. It started to take off and it had a nice little rise, and look at what it has done since then as you look to the far right-hand side of the chart.

C. AUSTIN FITTS: Oh.

CHUCK GIBSON: Clearly that wasn't the bottom.

C. AUSTIN FITTS: You have to understand that I'm in Hickory Valley, Tennessee and everybody is crying about this.

CHUCK GIBSON: Remember one of the things I said was I would like to see confirmation from all three of those criteria. One of the things that didn't happen was the capitulatory selling. That should have been a warning flag. But, again, with commodities not only are they hard to value but they are hard to know because you don't have that extra confirmation in volume necessarily.

Now that we have thrown some cold water on this exciting possible opportunity, what I really want to do is say, "With that under our belt, let's take a look at something that might today be an opportunity that has met all three criteria."

C. AUSTIN FITTS: Right. And after this is over I am going to throw some more cold water on it.

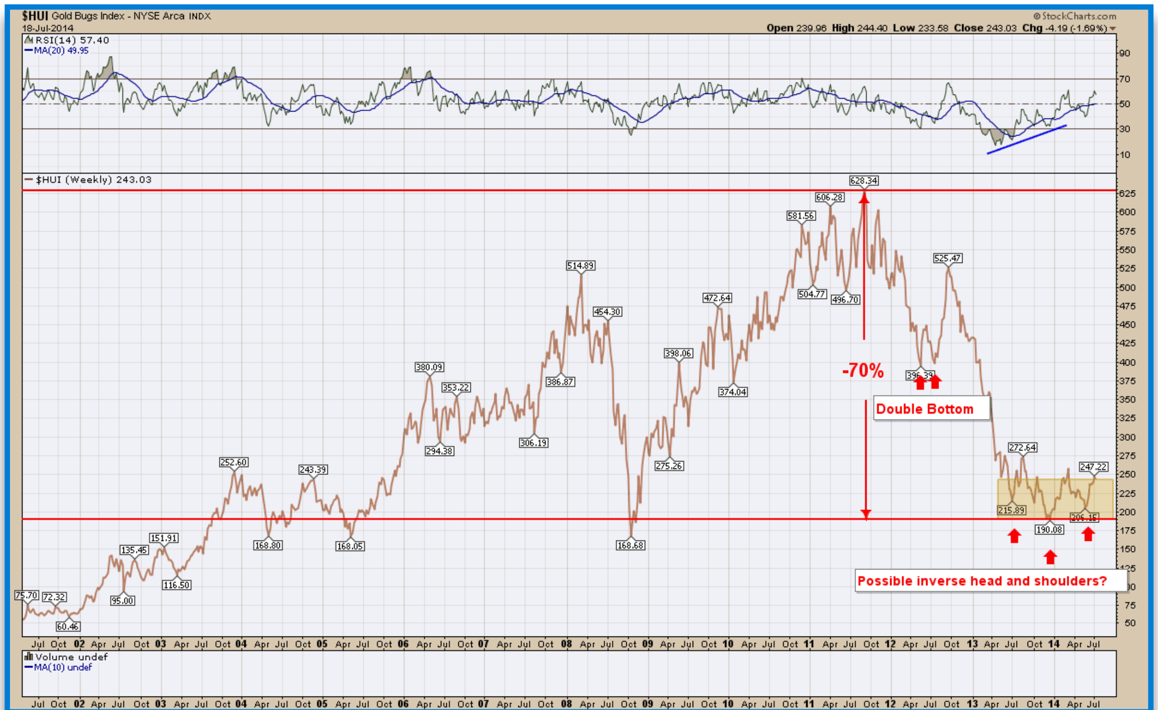
CHUCK GIBSON: Okay. That's fine. So that is the Gold BUGS or the Gold Miners Index. Let's take a look at Chart #21. This is a long-term look at the HUI. I'm not sure if everyone knows what the HUI is, but it is the Gold BUG index. It is a good representation of all the mining stocks.

The problem with it is that it doesn't have a volume because it's not a traded instrument. While I'm showing you this chart, I'm going to move to another chart to confirm that we have a volume spike.

Let's take a look at this. What you've got was a massive 70% decline. That met criteria #1. What you also have is an inverse head and shoulders bottom, right at the bottom where it is currently sitting at.

C. AUSTIN FITTS: Are we looking at the HUI or GDX?

CHUCK GIBSON: We're looking at the HUI right now. We're going to switch to the GDX. I'm just using the HUI because I prefer that index, except



we can't get confirmation with volume. We'll move to the GDX next.

The one thing I do want to point out is that one thing you always have to be careful of is that head fake. If you look, I identified between the peak and where we're at now there was a double bottom that came in. It had a really nice rise. It rose up 60-70% and watch out below.

The interesting thing is that that didn't meet my criteria because it wasn't a minimum 40% drop. I ignored that one as a long-term 'the bottom is in' signal. This one currently does, so let's switch to the GDX away from the HUI.

C. AUSTIN FITTS: Okay.

CHUCK GIBSON: It looks very similar. Again, it's just a different makeup of stocks, but they hold almost the same but not exactly. This one fell 69% from its peak to its trough. It currently has an inverse head and shoulders bottom. And if you notice, it also confirmed the capitulatory selling that we wanted.

We saw a bottom, a final exhaustion selling, and since then we've seen a decline in volume, and price continued to go further down. So it meets all the criteria. I like to bring opportunities to people – to the table – to let them make the decision because I'm not saying that people should go out and buy this, but I am bringing this up.

Let's switch to the final chart. I just want to say why it matters. This is my 'Why It Matters' chart. What this is is a ratio of the HUI versus the S&P 500. We went through this bottom one other time back in the year 2000. If you were able to identify a bottom and you were able to stick with the HUI, picking the absolute bottom and absolute top are impossible but I just want to show you the magnitude of the difference of what we're talking about.

During that period of time the S&P lost 14% and the HUI was up almost 1,200%. You don't have to pick the top and the bottom!

C. AUSTIN FITTS: You know it was a good switch.

CHUCK GIBSON: Yes, it was a good switch. The one thing I do want to caution people on is while I said it was a potential opportunity, there is a warning flag right here still. That warning flag is that it hasn't reached down to the bottom that we saw in 200. Normally when you go up you go back down and test those levels.

I did want to also close on that. If you were able to pick the exact top in the HUI, you can see what has happened since then. The S&P is up 63% while the HUI is down 62%. Making sure to following these ratio charts are really good to help position yourself for outperformance.

C. AUSTIN FITTS: Right. The reason why I feel like I'm from Kansas, "Show me, show me, show me," is if you look at the politics right now in the miners, it is very tricky and murk. I don't see it clearly. It always makes me nervous when there is serious politics going on that I don't understand. That has got me gun shy on the miners. In many markets it is much easier to read what the fundamentals are or what the politics are.

This one is pretty tricky. We're in the middle of what has been a political battle for a couple of years now. It's one where I just feel very cautious. That is why I am always so interested in looking at what the charts say.

Chuck Gibson: Okay. Can I throw cold water on your cold water?

C. Austin Fitts: Absolutely.

Chuck Gibson: Contrary to that – and, again, people don't know us and that this is our day-to-day routine – this is how you vet and make sure that you make good investment decisions. The one thing I will say against that is how an investor would help to mitigate that – because I don't disagree with you at all – is not through avoidance.

C. Austin Fitts: Oh, it's not avoidance. It's about how much you put in.

Chuck Gibson: Exactly. It's about how much you put on it. You might stick your toe in the water and put a small smattering in. As you get further confirmation that a lot of those clouds are clearing up, then you can start adding more. But don't take it that you should avoid it; you should be cautious.

C. Austin Fitts: The question is: Do we turtle or do we cannonball? This, to me, is a turtle.

Chuck Gibson: Okay. That works for me. Again, I want to close with this. This is a potential opportunity and I just want to make this clear. This is not a recommendation. Buying decisions are based on an individual's risk tolerance, their investment time frame, and most importantly how they are going to be managing the position. That has to be individual and separate for each and every person.

I'm just bringing ideas to the table. A real good example is if you look at my blog post, all I do is bring ideas to the table and let the investor decide whether it meets their criteria. I'm more of an idea person.

C. AUSTIN FITTS: I think what we've tried to say with this – and that's why I come back to, "statistics matter" – is that over time you see cycles between things like bonds to stocks or precious metals to equities. You see enormous swings and yet things return to the mean.

If you pay attention to those swings and you try to pay attention to how you are allocated, it can make an enormous difference.

CHUCK GIBSON: Absolutely, and that summarizes exactly what I was trying to do with all of this. I just want to let people know that here is the methodology. Keep in mind that maybe the pendulum hasn't finished swinging, but when it does it's worth your consideration.

C. AUSTIN FITTS: Right. Nothing lasts forever.

Well, Chuck, thank you so much.

CHUCK GIBSON: My pleasure.

C. AUSTIN FITTS: We very much appreciate it and we look forward to the Third Quarter. The seasonal patterns it should be dreadful, but your choices might not be.

CHUCK GIBSON: It might not be. Let's see what happens.

C. AUSTIN FITTS: Let's see what happens. Okay. Thank you.

CHUCK GIBSON: Thank you.