



The Hindenburg Omen

JIM'S JOURNAL

For the history buff in us, the year is 1937. The Golden Gate Bridge opens; General Motors recognizes the United Auto Workers Union; Amelia Earhart disappears on her world flight; the average price of a home is \$4,100, a loaf of bread is 9 cents & gas is 10 cents a gallon (Yes, there has been steady inflation over the last 75 years). And, on the evening of May 3rd, 1937 the German passenger airship *LZ 129 Hindenburg* leaves Frankfurt, Germany destined for Lakehurst Naval Air Station, New Jersey. The *Hindenburg* is an 804-foot dirigible filled with over 7 million cubic feet of hydrogen and is considered the jewel of its time for air travel. On Thursday evening, May 6, the *Hindenburg* arrives hours behind schedule due to inclement weather and attempts to dock at Lakehurst. With little warning, the zeppelin bursts into flames, explodes and the entire airship is consumed by fire in 34 seconds. Of the 97 people on board, there are 35 fatalities. It is the tragedy of 1937 and marks the end of the rigid airship era.

So fast forward to 2012. What does the explosion and tragedy of the airship *Hindenburg* have to do with the stock market and the Hindenburg Omen? Hindenburg Omen is a name given to a formula used by market analysts to predict the potential for a stock market crash. The goal of this indicator is to signal an increase in the probability that a major market disaster will take place in the stock market. Hence, the tie-in to the 1937 airship crash. The Hindenburg Omen is an analytical tool that was initially developed by former physics teacher Jim Miekka in the 1990s. Mr. Miekka also happens to be blind.

The Omen is a combination of technical factors that attempt to measure the health of the New York Stock Exchange and, in turn, the stock market as a whole. It is devised by monitoring the number of stocks that form new 52-week highs relative to the number of new 52-week lows. If a certain percentage of stock market highs and lows are reached on the same day along with other specified criteria, the Omen is triggered. The idea of the Omen is that under "normal" market conditions a substantial number of stocks may set either new annual highs or new annual lows on a given day, but not on the same day. Stable and healthy markets possess a degree of uniformity, either up or down, but setting new highs and lows should not happen at the same time. A simultaneous up-down split is a potential sign of trouble. It should be noted that over time, additional criteria have been added to enhance Jim Miekka's original theory and work.

The Omen has appeared before all stock market crashes, or panic events, of the past 27 years. No panic sell-offs over the past 27 years have occurred without the presence of a Hindenburg Omen. Confirmed Omens are rare. There have been only 29 confirmed Hindenburg Omen signals over the past 27 years. That time frame encompasses about 6,400 trading days. Based upon research that I have reviewed, if we define a crash as a 15% decline in stock market value, there is a 28% probability that a market crash will occur after there is a confirmed Hindenburg Omen. While the Omen may not always end in a market crash, the probability of sell-offs and market corrections increase. It has been calculated that there is a 53.5% probability that a decline greater than 8.0% will occur as well as a 74.9% probability that a decline of at least 5% will occur when the Omen is present. Historically, only about one out of 14 times has the signal failed. In addition to appearing before significant market downturns in 1987, 1989, 1998, 2000, 2001, 2002, and 2007, the Omen occurred just before the stock market crash of the autumn of 2008. The 37% loss for the S&P 500 in 2008 was brutal for many portfolios.

As of **July 24, 2012**, the criteria for the Hindenburg Omen was met and the Omen is back "**on the clock**". Being "on the clock" means that two Hindenburg Omens appear within 30 days of each other (three Omens have actually occurred since July 24th). If the Omen theory maintains its historical predictive guidance, there is a statistically significant probability that a market crash or correction will occur before November 24, 2012.

Remember!!! The Omen does not guarantee a market crash but no market crash in the past 30 years has occurred without the Omen being "on the clock". The Omen is a wake-up call. It is a hurricane or tornado warning. Not all hurricanes or tornados touch down and cause extensive damage but many do. We should be on the alert to take cover when we are given this type of warning!!! The Money Management Program will be on the alert. This Program was specially designed for retiree and pre-retirees who cannot afford heavy losses to their portfolios. Downside risk management is an everyday concern in the Money Management Program. However, when events such as the Hindenburg Omen occur, a heightened state of awareness is triggered. Additional scrutiny and caution are used when monitoring your portfolios. This is a red alert. Hopefully it will pass without incident but if it does not... I stand ready to take action.

This month's guest article is by Robert V. Schikora. Rob is a member of my Detroit/Novi Catholic Central networking group and a professional haberdasher specializing in custom made clothes for gentlemen. Hope that you enjoy his article and hints on clothing care.

Take good care!!!

A Man Well Suited

By: Robert V. Schikora

No matter what the occasion, our appearance reflects on us and gives others a reason to judge us. If for no other reason than that, we must strive to take pride in our appearance and continually put our best foot forward. From your slacks to your favorite sport coat, or from your “home run suit” or your suits for everyday wear, there is generally one constant- the use of worsted (or combed) wool in the construction of the garment. Next to cotton, wool is the most common material used in the garment industry, yet, except for having a vague general impression of how nice it looks or feels, people generally fail to appreciate what it is about wool that makes their garments perform (or fail) on a regular basis. Even more, we tend to guess about what it takes to properly care for our garments.

So, why do we care? Surely, we all have our rules of thumb about dry cleaning or how to handle stains, but let’s set the record straight and gather a better understanding of dry cleaning. Making decisions that are cost-effective and also keep us looking our best are imperative.

What is dry cleaning?

Dry cleaning is a cleansing process that uses a solvent called perchlorethylene or DF2000 to clean clothing. The “perc” (as it’s called in the industry) is run through the garment and then extracted along with dislodged oils, food, dust, and other unwanted dirt particles. Since soap and water are not used in the process, it’s called “dry” cleaning. Dry clean when you must, not on a set schedule that will strip and weaken the wool fibers and damage their ability to crimp, thus unnecessarily aging the garment.

Always ask: Does your suit or shirt really need to be dry cleaned?

Most of us dry clean our delicate clothing way too much; more often than not simply brushing your wool sports jacket and hanging it in a well-ventilated area will eliminate odors caused by light smoke or food. If you spill food or drink on the garment, simply spot clean it as necessary by gently blotting the cotton or wool fabric with clean water. Stains that require quick attention such as mustard or red wine, especially on light colored or silk fabrics, should be taken to the cleaners the next morning. Immediate action after the spill should be to change the garment if possible, slip it off in the case of a tie, or carry on as if it doesn’t bother you. Avoid home remedies such as club soda and salt and never rub a stain or put water on a fabric that can’t be washed in water (ties especially) – you’re just as likely to damage the fabric, especially if it’s fragile.

Also, most suits in the marketplace use fused construction, where the front and back of lapel on a coat and portions of the chest are literally glued together on the inside of the lapel. Dry cleaning chemicals tend to cause this adhesive to break down over time and cause a bubbling or rippling effect. Obviously, minimizing dry cleaning will extend the life of your garment to avoid this.

Unless you work in an unusually dirty and dusty environment, or unless you may perspire much more than the average person, the recommended timetable for dry cleaning a suit or sport coat is only once every three months. This way, you will enjoy a garment that ages as gracefully as is possible, and you will enjoy the benefits of your investment.

Robert W. Schikora is a professional clothier at Tom James Company. Tom James has over 100 locations in the U.S. and internationally. Rob is in the business of helping his clients feel great about their professional and casual attire by providing personalized service to each client. He brings fine clothing to you. Rob may be reached at 734-377-6596 or r.schikora@tomjames.com.

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