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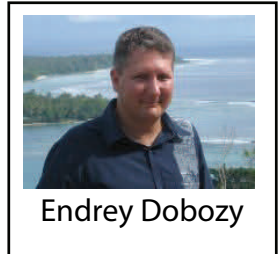
And he's asking them the questions  
YOU want answered...



**Name:** Endre Dobozy  
**Industry:** Trading, Off shore Investing  
**Website:** [Landau Securiti](#)

**Endre Dobozy's Bio:** Endre Dobozy, an expert on finance, demographics and booms and busts. Endre will teach you that being caught up with consequences associated with the coming depression can be avoided if you learn about booms and busts and how they affect different investment opportunities around the world.

*Interview Transcript Below.*



Endrey Dobozy

**David Jenyns:** Hi guys, David Jenyns here from [www.meta-formula.com](http://www.meta-formula.com). I'm really excited today. I've lined up an interview for you with Endre Dobozy. If you've been following along on my blog, you've heard me mention him before. He's the guy that I keep an eye on to get an idea what's happening in the underlying conditions of the market, what's really driving the economy because hopefully that will flow on through to the stock market and trading and influence the way that we invest.

Endre has owned his own investment and brokerage firm for over nine years now. He's written a book, he's done keynote presentations all around the world, he runs his own global investing workshops. He's part of the Harry S. Dent advisory network. Suffice to say, Endre knows his material. I thought what better time, while I'm here in Vanuatu to take the opportunity to have a chat with him. We're on the verge of 2010 and having a look back on what's happened and trying to see where we're heading in 2010 and hopefully to help us make smarter, more advised investment decisions. So Endre thanks for your time, it's much appreciated.

**Endre Dobozy:** It's a pleasure to be here.

**David Jenyns:** I suppose to kick straight off, I want to get a little bit of a feel for what's coming down the pipe in 2010. I know we've just seen the markets rally hugely off their lows, the Dow's up 60%. I know reading your newsletter, you see this as just a little bit of a bounce back from the stimulus and you're not one hundred percent convinced that we've been saved from recession or worse, depression. What are your thoughts on that?

**Endre Dobozy:** I basically think that all we've been able to do so far, is to delay the inevitable. You cannot dig yourself out of a hole. If I go to my gardener and say now here's a shovel, go into my yard and dig and keep digging until you dig yourself out of a hole, he can't do it. You can't dig yourself out of a hole any more than you can borrow yourself out of debt. You can't throw more debt at debt and expect it to fix the problem. So the underlying disease is still there. All we've done is addressed the symptoms to make people feel better temporarily.

**David Jenyns:** Those underlying conditions, obviously it was all triggered by the sub prime and people being over extended. What are the main conditions that are causing the economy to be very sick?

**Endre Dobozy:** Ok, basically there is too much credit being extended. That's the first thing. If you look at the US, something like \$17 trillion, which is way more than their GDP is just financial debt.



**Endre Dobozy (continued):** It's just massive. They basically gave loans to everybody and anybody. Your qualification was, if you had a pulse, they'd give you a loan. And that was for homes and everything else. So now people have to pay that back and they can't.

**David Jenyns:** We're seeing a lot of people and again I've read some of the figures in your newsletter, of mortgages that are defaulting, especially in the States and it feels like the brunt of what's happened because that's where it all started. Do you see that trend continuing?

**Endre Dobozy:** Deutsche Bank released a really interesting report, where they figured that about 42 to 48% of homes would be underwater by 2012. That means that basically half of the mortgages in the US would owe more than the value of the properties are worth. When that happens, people don't necessarily want to pay it back. We're already seeing what's called strategic defaults, where people who can pay the money back are saying, I've got a mortgage for \$400,000 but it's only worth \$200,000 now, so why should I pay the mortgage? Instead they're opting to get out and go somewhere else.

I saw a figure yesterday where they say one in ten mortgages aren't being paid at the moment.

**David Jenyns:** That's huge. That's in the States?

**Endre Dobozy:** In the States. On top of that, if you keep with the States, something like seven million homes are in default at the moment and they expect that to increase by about 300,000 a month. Now it's all default stock. You can't stabilize the housing sector and if you can't stabilize housing, it makes it really hard to have a sustained balance in your economy. A lot of small businesses tend to borrow against their assets to keep themselves afloat. When nobody knows what the value of your assets are or what they're going to be, it makes it very difficult.

**David Jenyns:** None of this has really changed. From once the stimulus package has come in, all of these fundamentals have remained the same and yet the market has rallied heaps. There's very much a huge disconnect on what the underlying is and what the market's doing. What's really causing that?

**Endre Dobozy:** You've got these massive amounts of stimulus which had to flow into the economies and that had to make a difference. On top of that, you've had businesses cost cutting, getting rid of staff, downsizing or even cutting costs, cutting wages and then selling assets they didn't need, also cutting their inventories. All of those things have impacted on the bottom line, making things look better. But none of that means anything. When you think over this decade, or the last decade, there has actually been a net job loss of something like 300,000, which means there were 300,000 more jobs lost over the last decade than were created.

What happens to those people? If they don't have money, they can't consume. In somewhere like the US where 70% of GDP is consumer spending, that impacts negatively on consumer spending.

**David Jenyns:** How is that relative to how it's been? Is that just a very small percentage? We talk about a lot of people losing jobs but how is that relative to how many people usually lose jobs? It just doesn't feel like it's flowed on, especially back in Australia.

**Endre Dobozy:** I know, Australia has missed it totally.



**David Jenyns:** I've chatted to numerous people and I think I can count one or two people who have said that they've experienced any change in their lifestyle or job loss or anything. Perhaps we can talk about that in more detail in a bit, but I'm just wondering, are those effects being felt in the States and how much worse do you think it's likely to get?

**Endre Dobozy:** Case-Shiller who do the Case-Shiller Index for housing said that if housing went down another 15% in the US, it would put them right back to where they were in 2007 as far as the problems. Fifteen percent seems like a lot, but the more houses that go into foreclosure, the lower prices get. Let's face it, if I want to sell my house and the guy next door is in foreclosure, I've got to drop my price to that or below if I want to have a hope of selling.

**David Jenyns:** Yes, because he's a motivated seller.

**Endre Dobozy:** Exactly.

**David Jenyns:** And it drives things down. So the flow on effect, these still underlying conditions have remained and what's to stop the US and other economies just continuing to stimulate, stimulate, stimulate? I know you said you can't dig yourself out of a hole, but we're in a situation now where we've rallied back so much. Who would have thought that we'd make it this far?

**Endre Dobozy:** I actually did anticipate that we'd be around 11,000. I think that was last year's newsletter for Christmas when I gave a wrap up, I figured we'd be around there. So that hasn't changed because we knew there had to be a balance. When you put all this money into the system, or I think Harry Dent said when you actually put the Viagra in, you expect some sort of result. This is what's happened. Could you imagine if it hadn't happened, how bad it would be right now? So we're in a very unique position right now.

**David Jenyns:** People were stepping around the word depression, and how likely that is to happen. What are your thoughts on that? What is a depression, what actually signifies a depression and is that something that you still see as a possibility?

**Endre Dobozy:** Oh, yes, it's definitely a possibility and I hate to say that because people think if you say depression you're one of those loonies who should be walking around the street with a sandwich board, saying the world is coming to an end, hide your children and bury your gold. But a depression is just a natural cycle. We have to get rid of the excess debt that has been built up in the system. Either we pay back, and those that can pay back debt pay it back, those who can't, don't. Then what happens to that?

I saw an interesting article yesterday, it was on Bloomberg, where they were talking about modifying mortgages in the US where people owe more than the mortgage is worth and modifying it back to the principal, basically modifying it back to the value now. They either defer the difference or forget it.

**David Jenyns:** Who takes that hit?

**Endre Dobozy:** Isn't it great we've got taxpayers?

**David Jenyns:** So it just gets passed on down. So your thoughts are then...



**Endre Dobozy:** Basically I see that this year is going to be an interesting one. I look at demographics, I look at cycles and I look at a lot of other things as well. From a cyclical perspective, 2010 has the decennial cycle, a really reliable ten year cycle pointing down, the four year cycle points down, the twenty-nine to thirty year commodity cycle starts to peak and then starts to point down. I think the real estate cycle still starts to point down and the generational cycle and 8.6 year Princeton economic cycle. All of these things point down in 2010.

So you've got to expect in an economy as weak as this one, despite what the markets may portray, things are going to get a bit messy. I don't expect the US to be able to start making more jobs. If you can't create more jobs, what do you do? I think the unemployment rate in the US is 10%, revised down from 10.2. I still expect it could get as high as 15-17%. Then if you look at discouraged workers, those people who are no longer looking for a job, they're not classed as unemployed. So if you're not looking for a job, you're not unemployed.

If you've got a part time job, even though you were earning \$100,000 before and you're getting \$10,000 now, you're not unemployed, so we can't count you. There's a guy called John Williams at Shadowstats and he shows that what the unemployment rate should actually be if you backed all that material out, and he's showing 22-23%.

**David Jenyns:** That's significant.

**Endre Dobozy:** That's a huge difference from the 10% that the US government is showing. I'm not saying either one is right or wrong. It's just saying that those people who haven't got jobs, can't pay their bills.

**David Jenyns:** The flow on effect? Obviously this is all very much talking about the US.

**Endre Dobozy:** Well, they're the world's largest consumer. What do you do if you lose your best customer, it takes a while to get a transition across to compensate for that. Then we say, but China is the economic saviour. It's not. I think in the US \$40,000 is the per capita income, about \$40-\$46,000, whereas in China it is about \$6,000.

You drill that down even further and you end up with something like out of 1.3 billion people in China I think 600 million of them earn less than \$US1000 a year. Then I think it goes up from there. I think it's about 400 million that earn between \$US1000-\$US2000 a year. There are only something like 60 million who earn around \$US20,000 or better a year which is the middle class. For a population of 1.3 billion in china, you've only got something like three times the population of Australia as a middle class.

**David Jenyns:** They are obviously still very much export driven. But surely they can see the writing on the wall as well. Is it something that they're changing as far as you know with your research?

**Endre Dobozy:** Last year thirty-three percent of GDP was based on exports for China. They still exported a fair bit to the US and other places like that. It is changing, but it changes very slowly because when all your factories are geared up to make material for Americans and other people who no longer have the money to buy those goods. Now I'm being rather extreme here. It's not that bad but people are watching what they spend.



**David Jenyns:** Yes, yes. I think it will be interesting to see once, I've haven't had a look, all of the figures when they come out for Christmas.

**Endre Dobozy:** Yes, I think they'll come out later this week or early next week.

**David Jenyns:** Yes, it will be interesting to see how that pans out. As far as other areas, and we touched on it briefly, Australia. I don't know if the Kevin Rudd government is being seen as some sort of saviour or something. It feels like we've completely missed any recession in the slightest. I think spending still seems like it's up, people seem confident. I haven't really heard of foreclosures or anything. In fact property in Australia is going through the roof.

**Endre Dobozy:** I know, I think the average price in Australia is \$460,000 compared to I think \$US 160,000, \$US170,000 in the US. When I looked at the bubbles forming in property, that was interesting. I looked at Japan first and said, hang on, Japan's bubble is interesting. I think commercial property dropped about 83% of value and residential by about 60% of value. Even the Nikkei, whose anniversary was I think was the 28th or the 29th December, their twenty year anniversary, they're still down something like 66-70% from where they were twenty years ago. When you talk bubbles, you think, wow that's huge, but then I looked at the US housing bubble and they were bigger in magnitude than the Japanese.



Then I looked and I found that the Aussie property bubble, if you want to call it that or whatever, but the increase in property value was even higher by magnitude in Australia than it was anywhere else.

**David Jenyns:** I always find it interesting, because people talk, especially the property side of things, they're saying in Australia we've got a lot of immigration and that's what's helping push property prices up, a lot of people coming in, obviously increasing demand. I've heard you comment as well that idea that over in Japan clearly there has got to be a large demand because you've got such a huge population. Not a large demand, but the argument that it is dependent on the number of people to how much property is available. What are your thoughts on that?

**Endre Dobozy:** It all comes down to demographics first. As they say, demographics is destiny. As people age, they spend less. They get rid of their bigger homes. When you've got kids, kids cost a fortune to raise. I love my daughter but she's not cheap. Kids cost a fortune, they produce nothing. You've just got to keep giving this money out and getting nothing in return from a financial aspect. You get the love and everything obviously.

As people age, it starts to change. As my daughter grows up, she leaves home. Then lights start getting turned off and the power bill goes down and the food consumption goes down and everything else goes down. As I age more, I start putting away money for retirement and getting rid of unnecessary debt. This is what happened in Japan basically. They aged and the demographic trends turned down. That's what's happened in the US, Europe and Canada at the moment.

After World War 2 people came home and they were happy to see each other and they made babies. So you've got the baby boom generation which is bigger than any other generation that



**Endre Dobozy (continued):** lived in history. They're moving through that now, the kids have left home, some have come back because of problems, but the majority of them have left home. They're past their peak spending years as far as spending on discretionary goods and they're starting to put money aside for their retirement.

As they do that, they start to sell down their bigger homes which is a really bad thing to be doing right now, well, right now it is a really bad, bad area because properties are going down. There is less demand for those bigger homes because the next generation coming through is smaller. This is what happened in Japan. Even though there is demand for property, the demand is less, so it's not enough to raise the value of property up.

**David Jenyns:** So your feeling is, it all comes back to the idea of those underlying demographics. Obviously the baby boom was so large and they're coming to the tail end. Looking at the demographics then, how far out are we before we start to see things pick up? Demographics is one of those things, it's slow.

**Endre Dobozy:** Yes it is. You've got two fundamental trends at the moment. You've got demographic slowing, which is a slow, lumbering sort of process but you've also got the deleveraging, where people are going hey, we've got too much debt, we've got to get rid of it. So both things are happening at the moment.

At the moment demographics is taking a back seat to deleveraging. I'll get back to demographics in a second. This is what's happening now is a trillion dollars worth of credit card debt paid back last year alone, just in places like the US. Eleven trillion dollars worth of cash in banks where people don't want to borrow because one, I don't know if I'll have a job tomorrow, or two, I don't need the money and three, the ones that can qualify for it don't want to take the money right now.

**David Jenyns:** Is that what's pushing up the US dollar because that's another thing I look at, especially the Aussie dollar to US dollar, the rally has been unbelievable. Is that strength driven by that? Where do you see the strength driven in the US dollar at the moment?

**Endre Dobozy:** It's quite funny when you look at the headlines a couple of months ago: Retire the US Dollar, Find a New Reserve Currency, The US is Dead. Then you see this bounce which we said would happen because as deleveraging happens, especially in places like the US and anywhere else where the debt is nominated in US dollars, you have to have US dollars to pay off debt. How do you get US dollars? You have to sell goods to get dollars to pay back. Every time you pay back debt, you actually retire or destroy the debt and that makes fewer dollars floating around. The fewer dollars are floating around, the more valuable the remaining dollars become.

**David Jenyns:** So how about the idea of happening over the next year, more houses defaulting, people getting worse, they're going to be wanting to recall more of the assets til they've got money. What's going to be the effect on the US dollar?

**Endre Dobozy:** It going to push the US dollar up. We've expecting the US dollar to rally for at least the next couple of years. It's actually starting an upward cycle, it could potentially go over the next fifteen years. At least the next two years, maybe I'd say five, you'd have a good strengthening US dollar. Maybe the euro has potentially seen its high and it won't get as high again for the next ten, fifteen years, if not more. I think commodity dollars like the Aussie, the New Zealand and the



**Endre Dobozy (continued):** Canadian dollar are going to get hurt as the cycles turn down, as the commodity cycle turns down and things like that.

**David Jenyns:** I suppose especially as well if that consumer demand does dry up then obviously there's not going to be as much call on resources and the flow on effect.

**Endre Dobozy:** Obviously the depression or the slow down is a natural progression. Last time I think I saw it described as winter. If you're looking at it from a seasonal perspective, this is like winter. Things slow down, things freeze up and things get bad for winter but afterwards, you end up with spring. It's not the end of civilization as we know it, it's not the crumbling of the economic markets, it's not the end of the US or capitalism or anything. It's just something we have to go through to get to the next stage where things have to deleverage, assets have to come down in value to make it more affordable for the next generation coming along.

**David Jenyns:** One other thing as well that comes to mind, we were talking about currency and things like that with the instability of the economy, a lot of people do resort to gold and gold and other things have been rallying. At the moment, all boats float on a rising tide and I think anything at the moment has been going up but gold has been doing particularly well.

**Endre Dobozy:** Especially when you can get US dollars, borrow them for next to nothing. If I can get money for next to nothing, I've got to put it somewhere. So you actually have this disliquidity moving through the system and they're saying, where can we put it? Everywhere they're putting it, is pushing up the price. Also when people were worried about the US dollar potentially crumbling and being the end of the US, which was rather silly when you come to think about it, but then people thinking about that, obviously is the choice, it's a hedge.

Gold is great, survivalists can bury it in their backyard, it's fine, you can hide it in your toilet because people like to hide it in their cisterns and other places like that. Gold is gold, you can't manipulate its price as far as you can't leverage it. An ounce of gold is an ounce of gold. Whereas with the banking system and the fiat system, I can give the bank \$100 and they can lend that out to \$1000, ten times.

**David Jenyns:** What's going to be the effect then with all of this deleveraging as well? Obviously if there are fewer dollars floating around...

**Endre Dobozy:** You come back to that original \$100 instead of that \$1000. That's why people have to find money to pay back that debt which takes more money out of the system.

**David Jenyns:** Which should be good for the system.

**Endre Dobozy:** It is, ultimately it's good for the system. In the short term there is some pain. All the politicians have managed to do so far with the stimulus packages and everything else is delay that. The US said, for every dollar of stimulus we spend, it will be \$1.4 or \$1.8 in the economy. It actually turned out now we've got the figures, it ended up 80c to the \$1 by the time it passes through all these politicians' hands and does everything else. Governments are the most inefficient users of capital ever. You give it to the private sector, we go out and we make things with it. They don't. I'm not anti government, it's just the way it works.

**David Jenyns:** I know some of the things we've talked about, I know you don't like to call yourself a bear. As far as your stance on where we're moving, it sounds pretty bearish.



**Endre Dobozy:** Ok, I am a market agnostic, I'm neither bear nor bull, but I will go where the money is and if right now the money is on the short side and I think that the markets are going to come down substantially over the next six months, year or two, then I'm going to be on that side. That doesn't make me a bear, that just makes me a capitalist because I want the money.

Afterwards, when people have gone through this, then basically I will turn bullish again and I'll say, ok, now it's time to bet the farm on the emerging markets and everything else. Right now, for me, I think we're due for a correction. This market has gone way up and yet it could go to 11.2, 11.3. I don't think see it going past 11.8 because that is a really strong resistance level on the Dow. But for the time being I am bearish.

This is weird. If I say to someone I can make you 70% a year, oh, wow, you can walk on water. But if I say to you, hey, if you do this you'll save 70%, because I think the market is going to drop and I'm just using this as an arbitrary figure, then people think I'm crazy. You guys don't want to hear bad news. Even if you can make a great deal of money in it, you don't want to hear it.

**David Jenyns:** Where are the opportunities then? Are we talking about, when you say save money, I don't think, and I'm sure you agree, taking your money and then hiding it in your cistern or under your bed is also not a solution.

**Endre Dobozy:** No.

**David Jenyns:** So in 2010, where do you see the opportunities?

**Endre Dobozy:** Ok. Well firstly, I'm on the deflation side of things, not inflation. I don't think all this government money is going to create inflation. If you create inflation by creating heaps of money, Japan would be in inflation right now, but they've had two lost decades and they're in deflation.

The problem is you can be right about this and say the markets are going to hell in a hand basket, but I think the result of that is going to be inflation. Even though you've got the market direction right, you'll be wrong because you'll lose money because you've been in the wrong asset classes. In an inflationary environment, commodities do well, stocks do well, everything else does well, cash is a poor investment and bonds are generally a poor investment because the rates are so low but in a deflationary environment every asset class goes down.

Commodities lose value, houses lose value, stocks lose value. The only thing that retains its value is cash and that's because the cash can buy more of the deflated investments. So the guys going into gold right now who are thinking it's going to go to \$5000 an ounce are probably going to be pretty severely disappointed. If you did convert everything from US dollars six months ago into gold, well, it had a rally and it's done quite nicely, but I believe gold is going to start heading down. Our target's probably \$650, \$680 for gold which I know isn't impossible.

You know when I get my grandfather ringing me up and telling me he wants to invest in gold and when I see Harrods of London selling gold over the counter and when I see central banks buying gold, central banks are really bad investors at the best of times. When I see them doing that I think, hang on a second guys, gold's got to go down.

**David Jenyns:** Yes, sometimes going for the completely contrarian type of investing works well.



**Endre Dobozy:** If 95% of people are broke by the time they reach retirement, shouldn't I do what the other 5% do?

**David Jenyns:** Yes, the opposite. So as far as opportunities, you just went back to the idea of cash is something that retains its value. I see that, with my background, as effectively doing nothing, like sitting on the sidelines.

**Endre Dobozy:** That's because you've grown up in an inflationary environment where inflation arose to the value of cash. But we're going to a deflationary environment, potentially. We're going into a deflationary environment where cash is going to be worth more. First there's nothing wrong with whatever you're in, as long as you've got an escape plan. As long as you've got stops in place, it doesn't matter. The market can keep rallying so you can be long for a bit longer potentially.

For me I want things that generate a cash stream, a revenue. Businesses will do me good if they're good businesses. It's all about having a revenue stream, generating revenue. For an investor, I like the short side. I love the ETFs, because I'm lazy, I don't want to work out which options contract I need or what series I should look at or futures and that is just me personally. I like the ETF because I can do the one to ones or I can do the leverage double, the one to two or the triple leverage and things like that. I like them because I can go the short side and be on the short side and then make money as the market falls.

That's not saying I'd rush out now and do it because I think in my last newsletter I showed that back to about the 1800s, 97% of all market movements can be attributed to the trend. So I'm not going to jump in front of a bus right now and, say, hang on, I'm going to go against the trend, that would be so stupid.

But what I do see, and this is what I say in my newsletter and what I start to do now is put in signposts and say, if the Dow closes below x, then this could happen. It's ok, the trend is up now, but if it closes below this amount then maybe you need to look at things differently. So we're looking at warning signs and then confirmation at this level and then we go short.

I showed in my last newsletter, I was crystal balling saying ok, \$10,000 invested in this triple leverage ETF when the market turns down, could be worth this. Then after that point we can get another turning point and then we go along again and the potential over a five to seven year thing being extreme could be turning \$10,000 into \$200,000.

**David Jenyns:** I think that is one thing I do like about your methodology as far as especially understanding there's a disconnect between what the economy is doing and what the market is doing. The idea of, well here are the facts, let's look at the facts, try and get an idea as to the general feel of the economy. That will ultimately flow through but then more of a reactionary.

There is no point in trying to pick the top or the bottom. Wait for that turn, make sure you've got your appropriate stocks, you're trading with the trend. The way that you see it, your underlying feeling is in 2010, the trend in a lot of asset classes is going to be down but there are always going to be opportunities.

**Endre Dobozy:** That's just it. I'm not saying hide your cash or bury it in the backyard. I'm not saying anything like that. There are going to be a heap of opportunities. The thing is that at the



**Endre Dobozy (continued):** moment, we're in a bear market rally. It's still a bear market as far as I'm concerned. I'm going to keep thinking that until I see something that changes my mind and I haven't seen that at the moment. So I'm going to keep looking for opportunities and there are going to be a lot of opportunities.

If it is a bear market now and we have these huge corrections, they happen much faster. So we can make money a lot quicker than we can in a bull market, sitting on our hands waiting for something to happen. I think the ratio is markets fall seven times faster than they rise. That's great; not so good if you're long.

**David Jenyns:** If you're on the right side of the market.

**Endre Dobozy:** Yes.

**David Jenyns:** That's one area, people definitely go wrong with their investing, they're only betting on the long side. You talked about some other mistakes people make, the idea of not having appropriate stops in place and that sort of thing. Having worked with hundreds of clients, what are some of the big mistakes you're seeing people make when they're investing?

**Endre Dobozy:** One, they get too attached to a position. They say, oh, I love Russia. I like Russia too. We've done very well out of Russia over the last few years, last year excluded and the year before that. Up until then we did very well. Seriously I had some clients who went into an extremely speculative Russia fund. They went in with \$100,000 and over a five year period they were able to turn that to \$1.5 million. They did very, very well.

Right now they come to me and say they want to go into Russia and I say no. That's just me at the moment. Commodities are turning down, other things. Falling in love with a position is a very bad thing. It's all about the money, it's no emotion and it's hard to be that way.

Other people say you should never put your stops in the market because then other people know. That's good if you've got willpower, but for me if I don't have my stop in and I've just got a mental stop saying I've got in at \$100, when it gets to \$84 I'm going to sell. If I didn't have my stop in and it didn't happen automatically, I'd find a reason why I shouldn't sell. That's me and I've been doing this for years. So I personally like to see people with stops in the market. That's another thing, they don't always raise them up afterwards.

Buy and hold, which I refer to as buy and hope, is basically dead for the next twenty, maybe thirty years. Again I come back to demographics for the reason for that, looking back at the Dow over the last decade was the worst since the 1820s. It's only the worst since the 1820s because that's when accurate record keeping began. Records were kept before then but they may not have been as accurate.

I've got Jeremy Siegel's book *Stocks for the Long Run* and that's the bible of the buy and hold strategy. I've got it here and I refer to it on occasion. But the market we're in at the moment, you can't just put it in and hope for the best. Anybody who enters the Dow or any indices or the markets right now expecting it to do a repeat of last year is going to be severely disappointed.

**David Jenyns:** You touched on some really good points on where people go wrong. Having quite an extensive history and having done a lot of reading to get to where you are now, looking back



**David Jenyns (continued):** over your career, were there any key points, leverage points where you can look back and say, once I started to do this, that's when I really started to see an increase or an improvement in the way that your personal investing is going?

**Endre Dobozy:** The first thing was the demographics. I'm grateful to learning about Harry S. Dent. He doesn't always get it right but who does? If you want to be always right then don't say anything, otherwise, you're going to be wrong on occasion. His demographics, showing you can predict long term market movements and what the economy is going to do way into the future by understanding demographics.

That's why you can say, ok, China, people think is great but I say, hang on, China is going to be more like Japan. They've got a one child policy, they've basically got rid of most of their girls because they boys were going to support them in their old age. So now they have an imbalance of 32 million more men than women in the marrying age coming in the next five to ten years. Sixty Minutes actually put it at about 40 million more men than women. So you've got this imbalance. That means that there's going to be civil unrest. On top of that, they're aging, so China is maybe not the place to be long term. China is not going to be the economic super power to take over the mantle from the US.

**David Jenyns:** Which everybody is hoping.

**Endre Dobozy:** No, if I was going to look at anyone, I'd look at India for that because India has 70% of their population under age thirty-five. The difference also, and I make this point quite often is, the Chinese imitate, the Indians innovate. It's not a racial thing, it's just a fact. The Chinese can take something that exists, make it better and make it cheaper. The Indians can look at it, make it better and take another step or two above that.

**David Jenyns:** Yes, already we're seeing, I've read some of the statistics again in one of your very early newsletters and you were talking about the way that telecommunications are exploding and all the different industries and everything that are going to come out of India. That being one of the emerging economies, is that something you're still looking to invest into? Are you bearish or on the global front do you see it not as rosy?

**Endre Dobozy:** The last time round when the markets tanked and the US went down, Australia went down and everyone went down, the emerging markets lost more because there is panic, there is a flight to safety. You saw the US dollar rally and things like that. If I'm right about seeing a fairly substantial correction, I don't really want to call it a crash, but it's not going to be pretty for people who aren't expecting it. I think it's better to be out of those markets or have very tight stops and then once we're through this, then we can go back in there.

One of the Russian funds we deal with did 107% last year. I actually in my newsletter the November before said, look, this is my case for Russia, I like Russia for these reasons, so I gave the guys the head up on that. China did well this year, India did well. You see what happened. We've had a dress rehearsal. So when the markets tank, what's going to come roaring back?

**David Jenyns:** Yes, the emerging economies.

**Endre Dobozy:** But they're just going to be hurt more on the downside before they come back. The other interesting thing was to note the strong correlation between the falls in the Aussie markets and the US, it's almost to the percent.



**David Jenyns:** Yes, I'm interested to see what happens in Australia, for obvious reasons being there. It feels like we've avoided it thus far.

You mentioned Harry S. Dent as someone you keep an eye on. You've read a lot of research. What are some other areas that you're drawing on to help form your conclusions?

**Endre Dobozy:** First of all I basically spend about six hours a day on research. I read one new book a week at least, plus obviously the Harry S. Dent's for their work. I like Bob Prechter's Elliott Wave material. Not as much as saying, this is what's going to happen but it's just an interesting point of view. He's very good to look at for the deflation camp. I like Gary Shilling, I think he's a good economist to follow. Steve Keen in Australia. I think he's great as well because he understands deflation. Lots and lots of different places, there's a heap of people.

For a trading perspective I still like Livermore. I like Reminiscences of a Stock Operator. I like that. I love W.D. Gann material. Even now I refer back to the old Gann books of 1929, 1930. Basically they're saying, to quote Mark Twain, history doesn't repeat, it often rhymes. So to understand what's happening, what happened before will happen again, in a slightly different way, but the underlying factor is people are still people and we still react the same way.

**David Jenyns:** I think you're definitely someone people should keep an eye. If they want to find out more about you, I'll make sure I post a link at the bottom of the video, [www.avidjenyns.com/global](http://www.avidjenyns.com/global), because Endre is all about global investing. If you want to find out more, you can click through the link and find out how to get a free month newsletter of his Underground Investment Secrets which is something I'm a subscriber to and recommend that you do the same.

Endre, I'd just like to thank you for your time, it's much appreciated.

**Endre Dobozy:** My pleasure.

**David Jenyns:** We'll see what happens in 2010.

**Endre Dobozy:** It will be a fun year.

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