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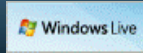
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'Meat Grinder' Market Could Last 8 Years: Rosenberg

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By: Jeff Cox



CNBC.com Staff Writer

Global debt issues and investor fear have the US mired in a "meat grinder" stock market that likely will last another six to eight years, economist David Rosenberg said Thursday.



Getty Images

Debt-cleansing cycles generally last six to seven years and the current run is in about its second year. Global economies are trying to shed debt, with varying levels of success as several European countries run risk of defaults and uncertainty grows over the effect debt will have on the US.

At the same time, broad cycles of low market returns and wild stock swings usually last 16 to

18 years, and this is the 10th year of those conditions, Rosenberg, chief economist at Gluskin Sheff, said in his morning note.

Neither trend, if kept intact, would bode well for stock prices.

"It will not be a straight line down but the fundamental trend line is down as far as US equity prices are concerned, and racked with intense volatility," Rosenberg said.

He pointed out that 22 of the past 26 trading sessions have seen swings of 200 points or more in the Dow Jones Industrial Average, while positive moves often are accompanied by low volume.

"Look at what has happened just this cycle—the worst stock market since 1937 followed by the best stock market since 1932 followed by the worst May for the Dow since 1940," Rosenberg said. "There's a word for this type of market. It's called a meat grinder. No return for a decade and yet plenty of sleepless nights on this roller-coaster ride."

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For investors, "classic long-short strategies" should be the order of the day in which investors protect themselves against lower moves in the market.

"This is an environment extremely conducive to income-oriented investment

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strategies," Rosenberg said.

He referenced legendary analyst and investor Bob Farrell's 10 Market Rules to Remember, particularly citing Rule 8 which says bear markets run in three cycles: a sharp downturn, a reflexive rebound and "a drawn-out fundamental downtrend."

"The sharp down was the 57% slide from October 2007 to March 2009. The reflexive rebound was the 78% runup from March 2009 to April 2010," Rosenberg said. "And, Stage 3, the re-emergence of the fundamental downtrend, in classic Carpenter fashion, has only just begun."

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