

The Mysterious Omen that is 'Divisor Change'

By [The Mogambo Guru](#)

06/23/09 Tampa Bay, Florida In Barron's this week, they had a big notice, labeled "Divisor Change" pasted onto the chart of the Dow Jones Industrials Average, which leads off their Market Laboratory section.

The notice was necessary since General Motors and Citigroup were taken out of the DJI index, while Cisco Systems and Travelers were added, and a difference in their capitalizations means that there must be a divisor change so that the index itself would not change as a result of the substitution. The new divisor is 0.132319125, which is different than the old divisor, which was 0.125552709.

This is all, as you probably surmised, completely incomprehensible and meaningless to me, except as ammunition for the next time when somebody comes right up to my face and tells me, "Shut up! I am sick to death of hearing that stocks are overpriced crap, that bonds are overpriced crap, that houses are overpriced crap; and I am especially sick of hearing that everyone is out to get you because it is probably for good reason, and I will probably lose my freaking mind the next time I hear you say that I must immediately sell everything to buy gold, silver and oil or it proves that I am some kind of stupid guy or something! So shut up, shut up, shut up, you Irritating Little Man (ILM)!"

Now, instead of crying like a little wuss because my feelings are hurt, I can say in clever rebuttal, "Oh, yeah? Well, you ARE a stupid guy who probably doesn't even know that the divisor of the Dow Jones Industrial Average changed to 0.132319125 from 0.125552709! And it is this ignorance, plus your natural stupidity, that completely explains why you will not buy gold, silver and oil, even when the entire history of economic man says that this is the only prudent thing to do, which, to be fair, is only examining the economic history of the world for the last couple of billion years, ever since that long-forgotten day when, suddenly, there was one one-celled organism floating around in some primordial goo, which soon got bored and replicated itself so that then there were TWO one-celled organisms, whereupon the first one-celled organism asks the other one, 'Hey! Loan me some money!' and the second one says, 'What's money?'"

"And it is THAT kind of 'Immortal Lessons Of History (ILOH)' that you so cavalierly dismiss, you moron, which is why you will die a slow, agonizing death of ruination and deprivation, with you and everyone you love wallowing in abject misery and poverty, all of them crying out in their pain and despair, asking you, 'Why didn't you buy gold, silver and oil when The Mogambo told you to? Two billion years of history is not good enough for you, you moron?'"

So I had dismissed the whole divisor change thing as just another of life mysterious unknowable that I can perhaps use to my advantage one day, but of no immediate import.

That is, until I got to their table showing the earnings of the DJIA suddenly went from a paltry \$198.96 last week and the earnings yield being a low, low 2.27%, to a suddenly robust earnings of \$686.52, generating an earnings yield of a mighty 7.80% this week! Wow!

Now, I am not saying that the two are related, mostly because I don't have any facts or inclination to find out because I am sure that it is all just a big scam anyway, but something BIG suddenly happened.

And big things happening is always a bad omen, unless you are looking for an omen to buy gold, silver and oil as protection against fiscal insanity, and monetary insanity, and the insanity of the government's Plunge Protection Team meddling in the markets, making it all so, so much worse.

In that case, it's an omen that makes you giggle, "Whee! This investing stuff is easy!"