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SIGNS OF THE TIMES

Perspective

Our recollection over the decades has been that corporate treasurers always had a prospectus ready to issue bonds. Hopefully at the peak of a bond rally. It helped keep debt service costs down. But to use shareholders' cash to bid their own stocks up at excessive valuations is disgusting.

As any honest promoter knows, you artificially lift the price and volume in order to sell stock.

That crude's weakness is good for corporate America, is hopeful thinking. Crude's decline along with other industrial commodities could be signaling a recession.

The one about Goldman being "Shocked", is about a $4.5 billion scam in Malaysia.

The headline about what would end the "Rout" hints that no increase in the Fed rate in December would help. While not quite a plea for a "Fed cut" it is worth noting that the steepest declines in short rates occur with the worst part of a bear market. We wonder if theoreticians can learn from market history?

The "rout" is not yet a "rout" and it will end when the last offside holder of stock and junk bonds is sold out.

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Stock Markets

It's been interesting to read the establishment's opinion on the stock market decline. Some think it's been due to central bank policy. We can't tell if this is too much policy, or due to too little policy, or too-late policy. And then there are the concerns about Trump's "protectionism". We have noted that this was to reduce unfair measures against the US. However, one of the characteristics of post-bubble contractions has been severe protectionism. After all, politicians must get elected and locally must be seen to be doing something about the hardships of unemployment.

Real protectionism has yet to come.

For us, the action has followed the typical transition from a great bubble to its *consequent* contraction. In so many words, speculation forces the retreat. Central bankers do not cause contractions. On this, the heaviest liquidation was likely to occur in the latter part of October (✓). After a rebound the market would drop again and as we phrased it ***"test the selling pressures"*** (✓).

This shows well in the NYSE A/Ds which reached its low of 95500 on October 29th. The bounce was to 101500 and the drop was to 95400 yesterday. In S&P terms, the low was 2603, the high 2815 with the test at 2631. Showing how global the stock markets are, the World Index (ex US) set its low at 33.3 on October 29th, the rebound was to 35.6 and the test was at 33.9.

So much for theories about diversification.

The truth is that in the final stages of a bull market aggressive money in the financial centers will bid up lesser exchanges, because they can. Big money will also bid up small caps, because they can. Then prices rolled over on seasonal forces in the credit markets.

As the hit down to February was concluding our call was for "Sunshine" out to mid-year (✓). August could see the tone change to "Twilight" (✓) with the dreaded "Twilight Zone" possible in the fall (✓).

Forced selling came in on schedule, but it has been selective. Big High-Flyers suffered crashes but the broader indexes avoided panic selling, last seen in early 2016. And this could provide an explanation. As noted, crude's rise through September was positive for the overall market. While crude got hit hard, it was not as severe as the decline into 2016, which was "ending action".

So far, crude's drop could be called "starting action".

Also, its season for "dismal" weakness is usually found later in December, or even into January.

The overall stock market could stabilize over the next few weeks, but it is vulnerable to another slide in oil prices.

On the bigger picture, it looks like a great bubble climaxed in January and the world is in the early stages of another post-bubble contraction.

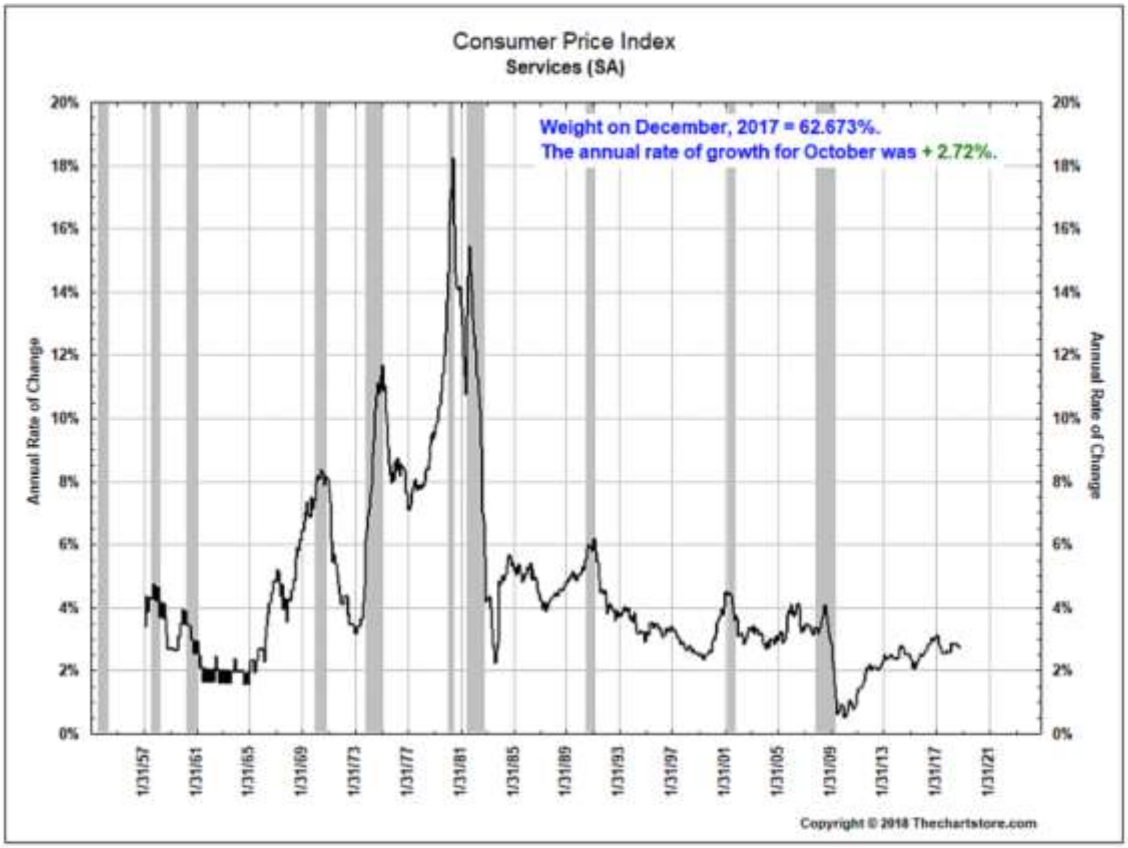
Within this there will be some trades on swings from oversold to overbought and back again. Our technical research will continue to advise. Buying the dips may no longer be rewarding.

On Technical Tools

In August we talked about the last example of "Buying the dips" in a bull market. Executions on such opportunities has been assisted by the Springboard Buy signal. This was designed to be optimal in a long-term flat to rising market. On indexes or individual stocks.

The *ChartWorks* has revised the "model" to provide trading opportunities during a downtrend. Bearish Springboard is the signal for "Selling the rallies".

Inflation in Tangible Assets



- "Old-Fashioned" inflation ran from 1960 to 1980.
- Inflation in financial assets has been the main game since 1982.
- The public decides what will be speculated in.
- Not central bankers.
- The public also choses when to go broke.

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