

Market Review

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Topics Today

- Markets
 - Recent Market Actions
 - Consensus of the Experts
- **Stock Market Contest Awards**
 - **Make New Picks**
- Bonds vs Stocks
 - Yield Curve & Economy
- Video – The Fathers of Growth Investing



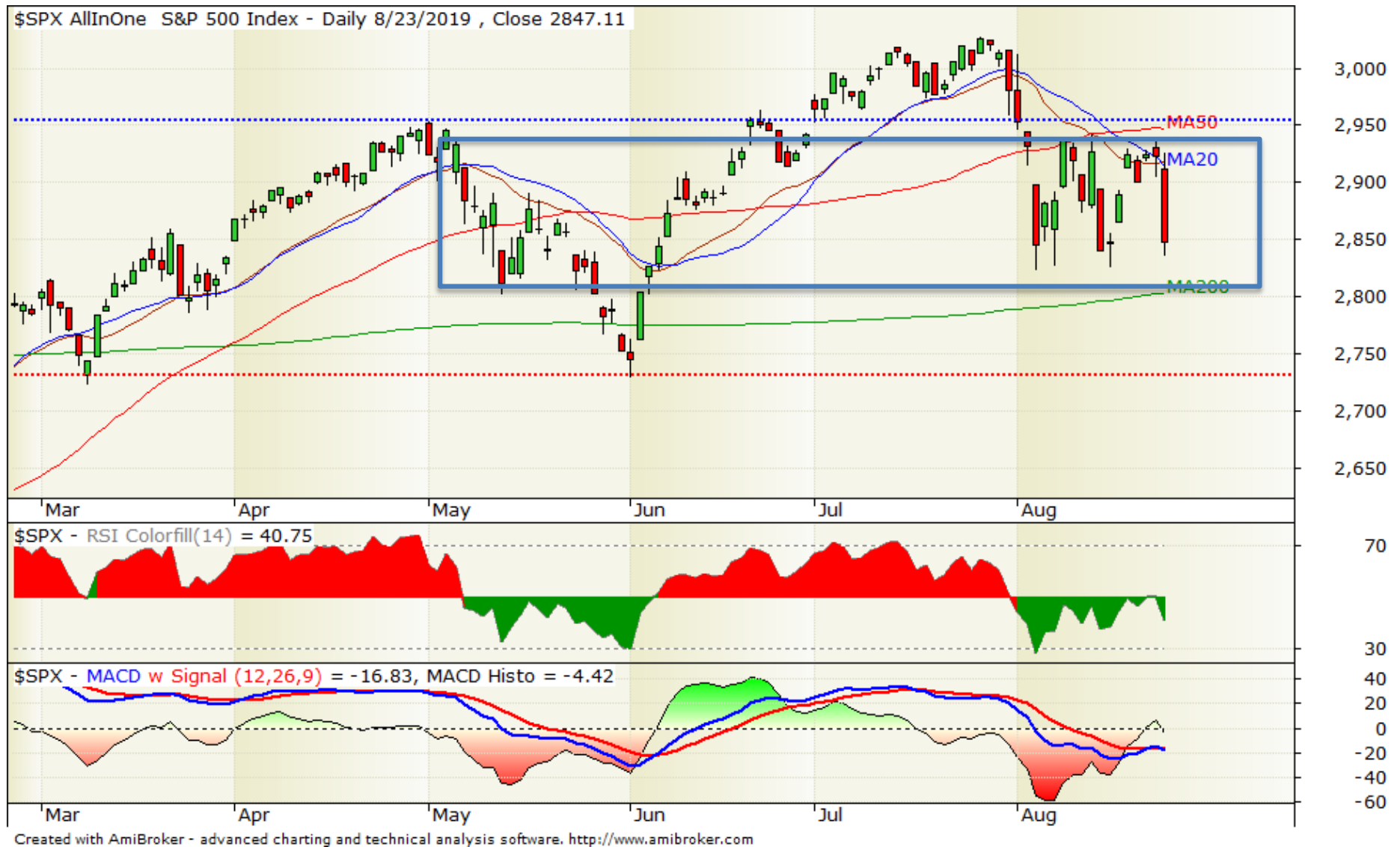
This is a Confused Market !!! What's Next ?

Trump Tweets Tariffs – Markets Take a Dive

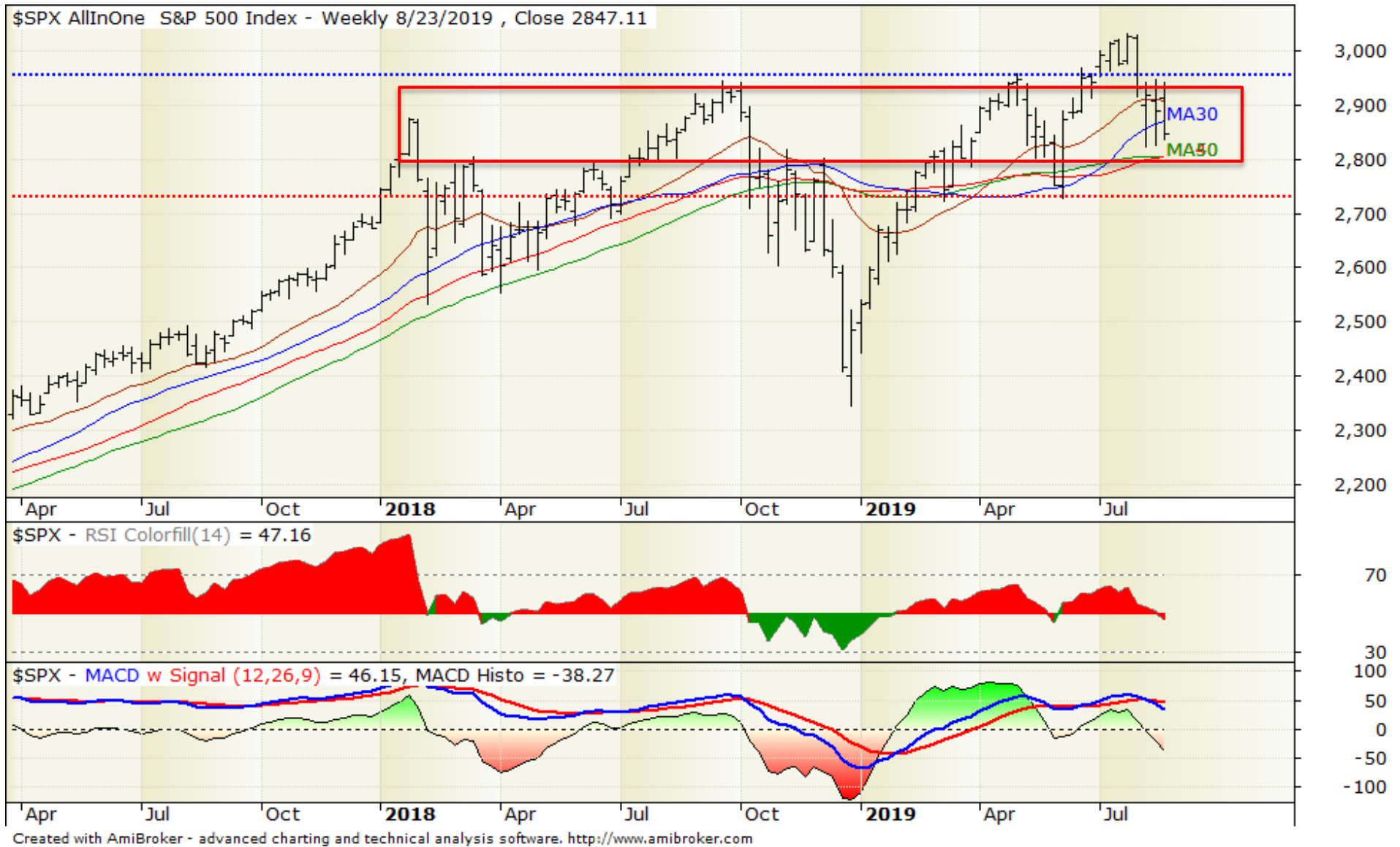
- Trade War Escalated as Trump answers China's announcement of more tariffs.
- Trump ordered U.S. companies to look for alternatives to China
- Trade uncertainties compound risks to the global economy
- Fed's monetary policy to support consumer spending, business investment and public confidence not enough.



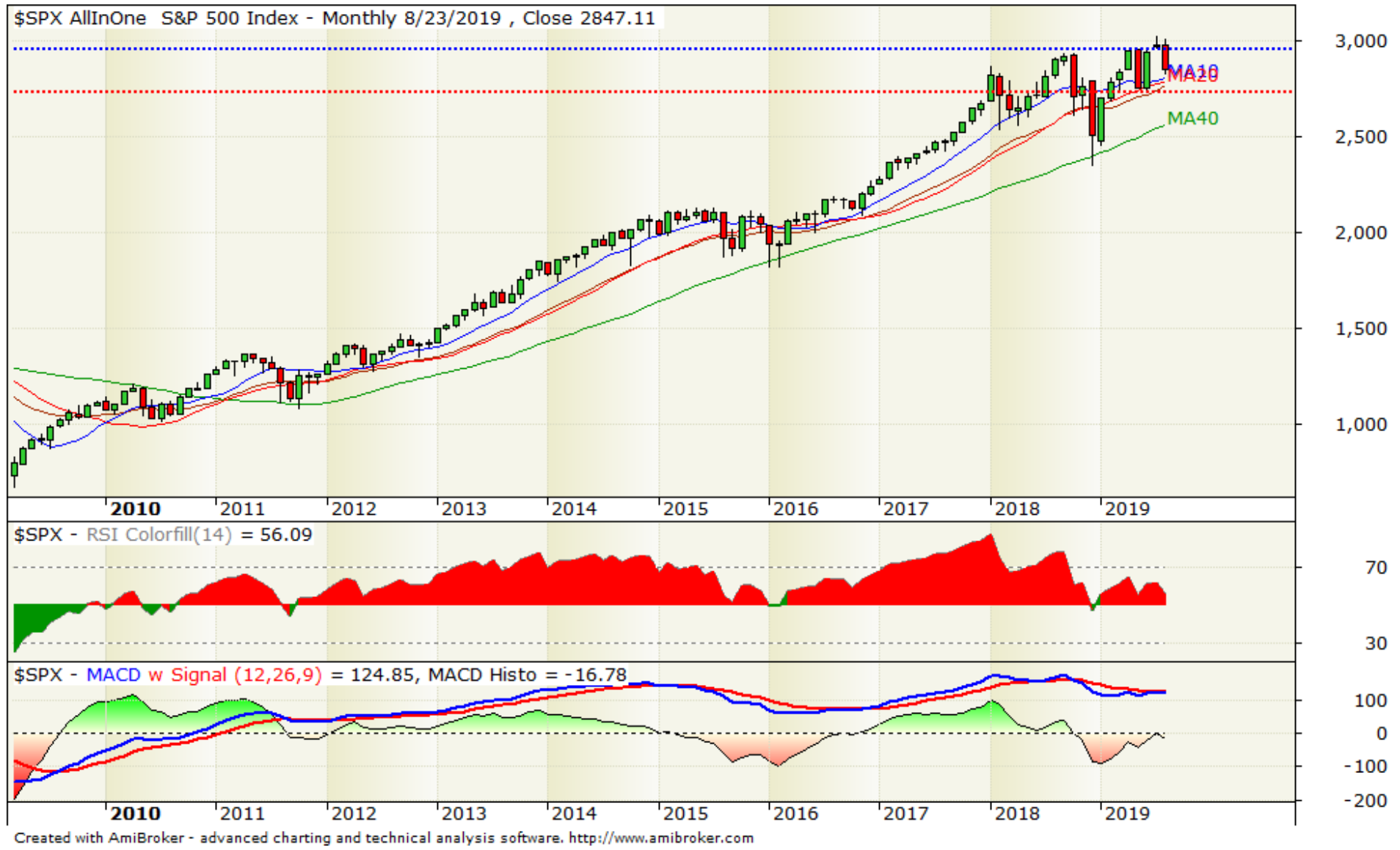
S&P 500 - At May Levels, Weaker



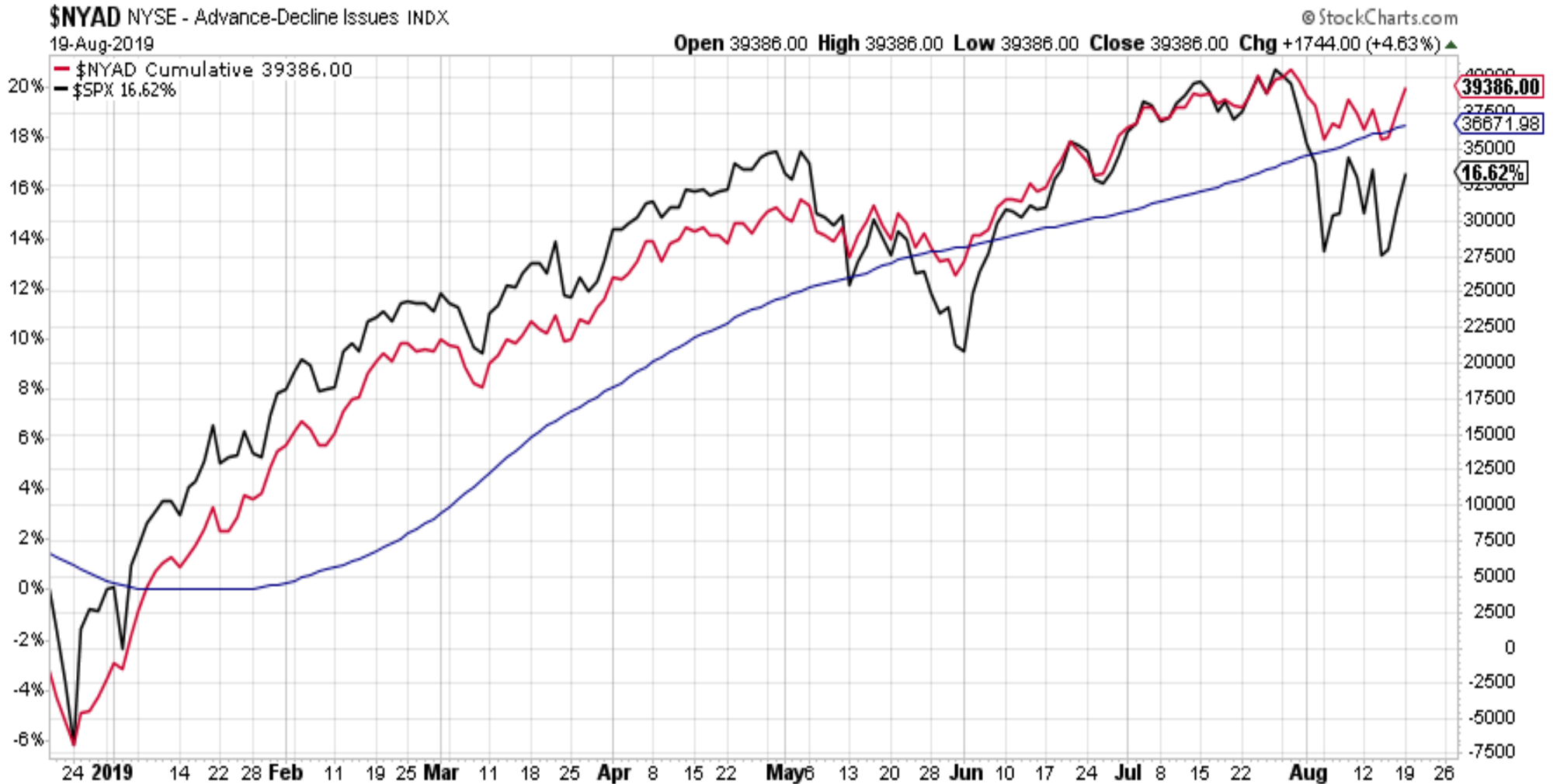
S&P Weekly



S&P 500 Monthly – Uptrend Stalled

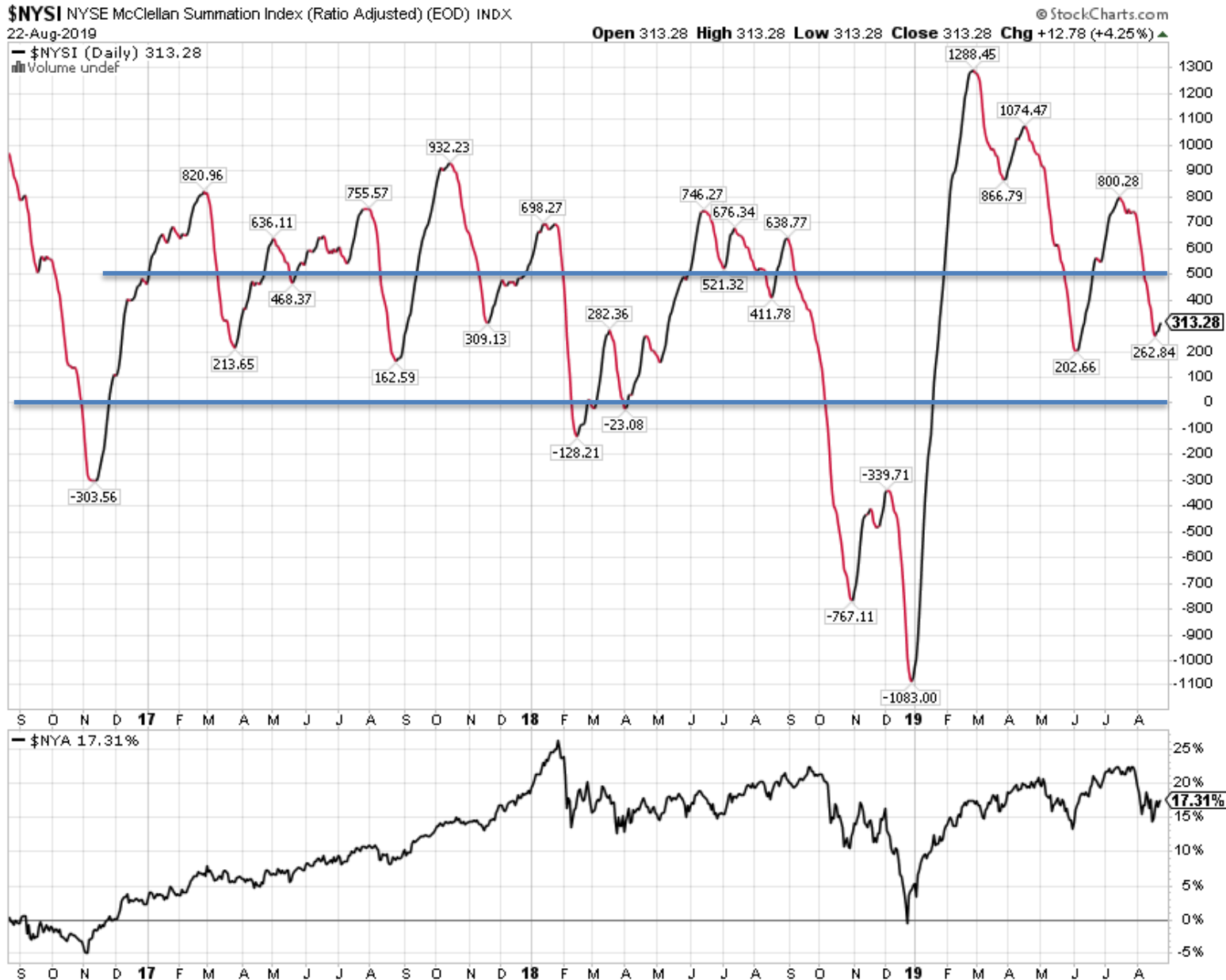


NY AD Line (Red) Lower



NY Sum Index

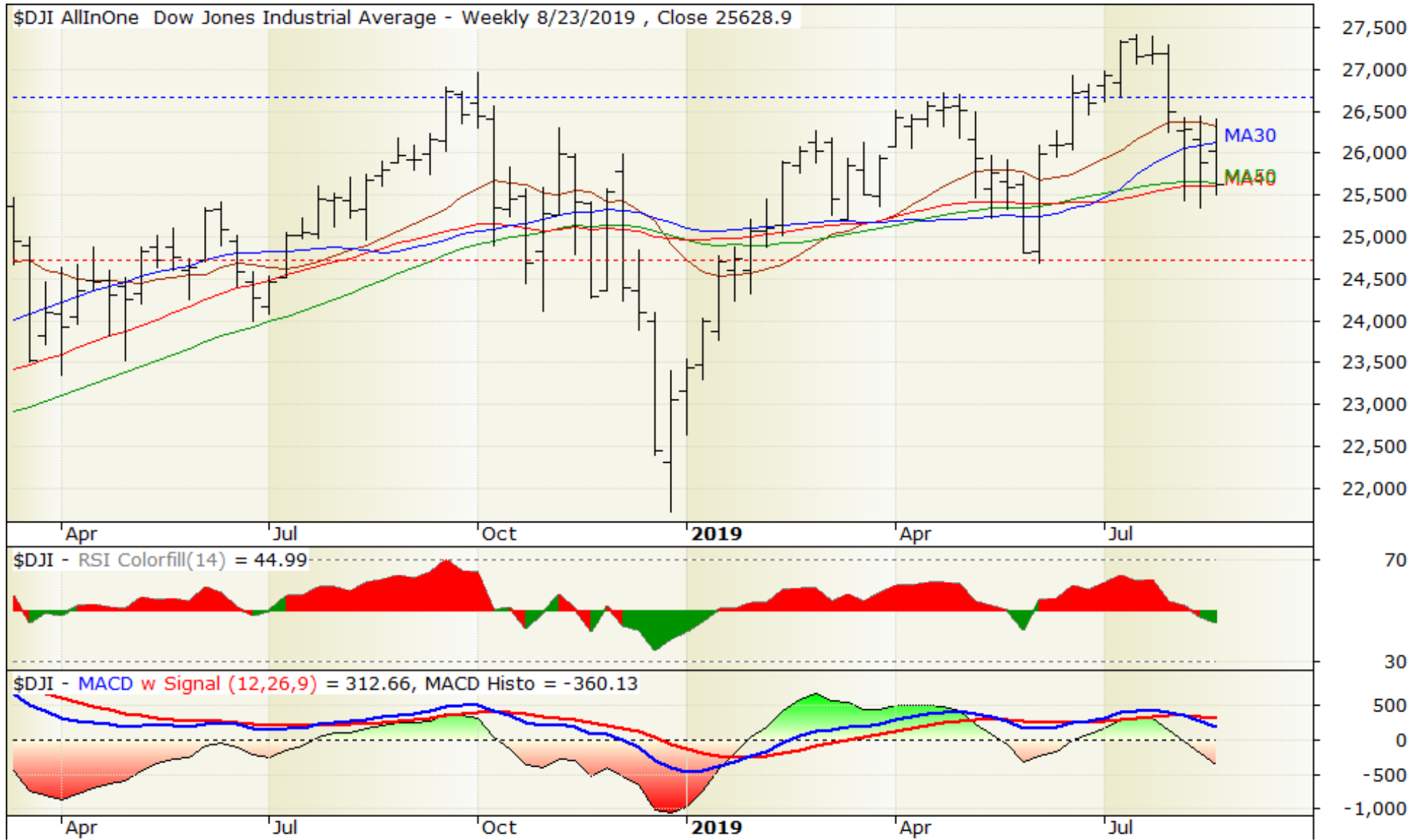
Lost Strength. Must Stay above 500 to Avoid a Correction



Dow



Dow Weekly



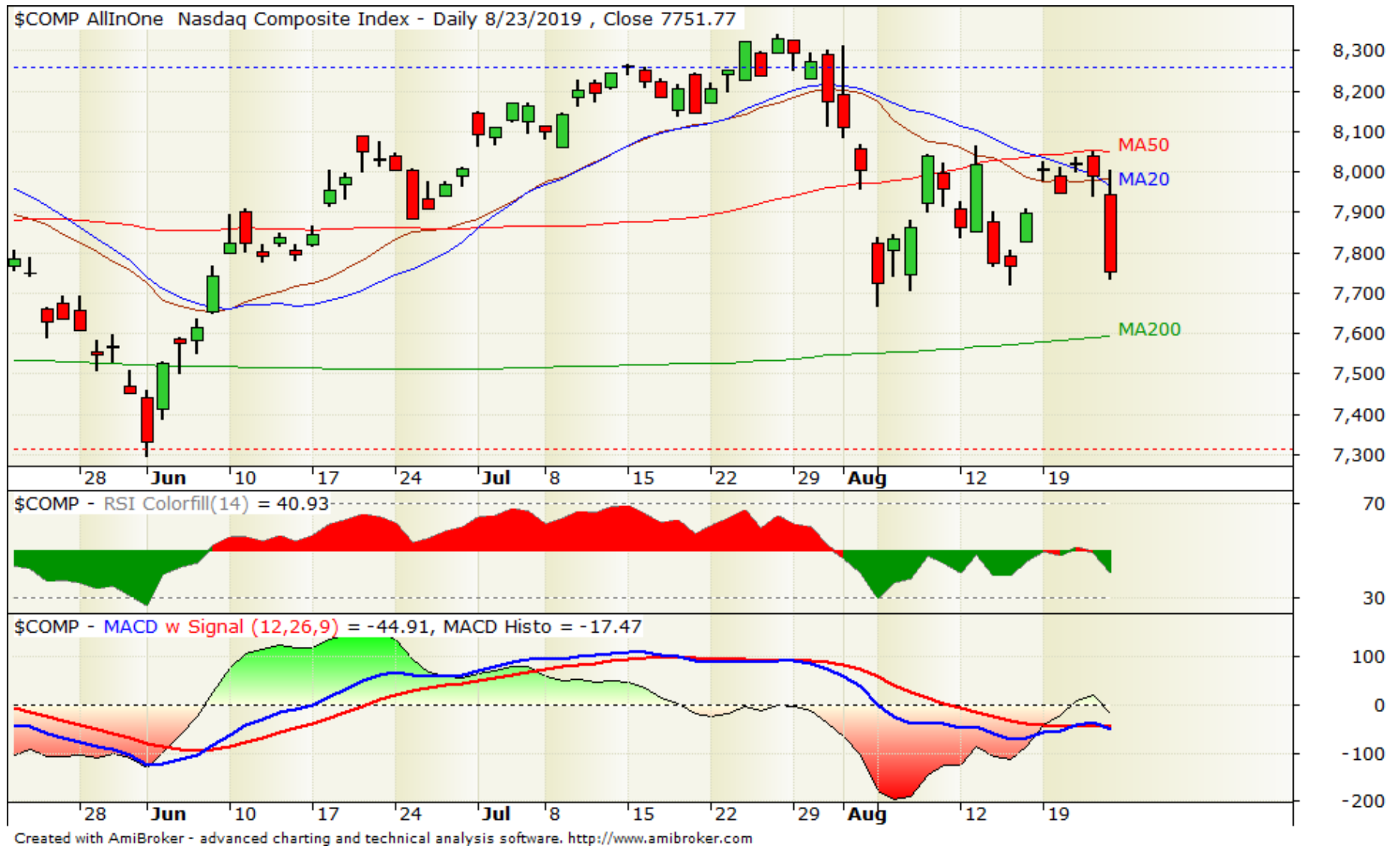
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Dow Monthly

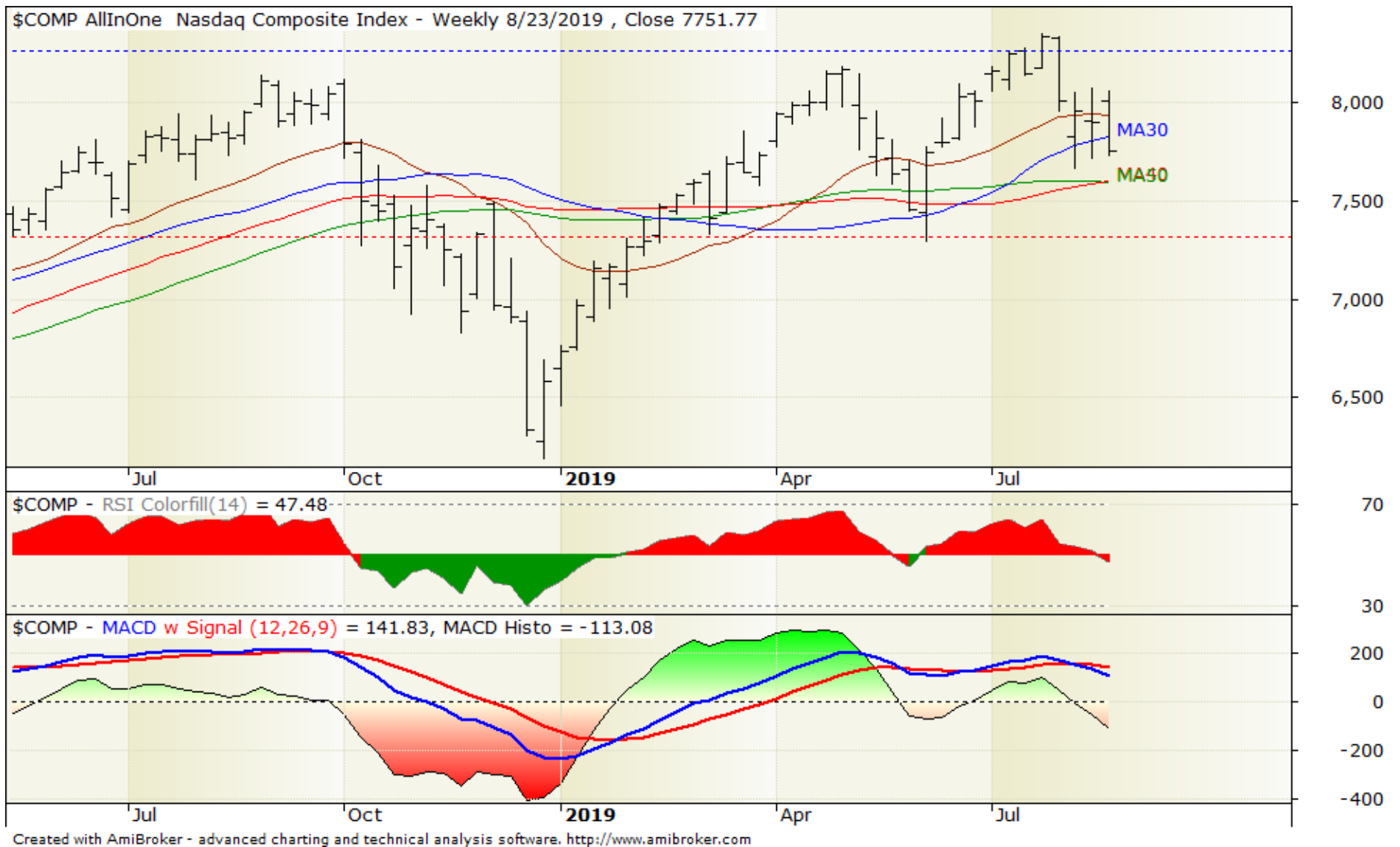


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NASDAQ



NASDAQ Weekly



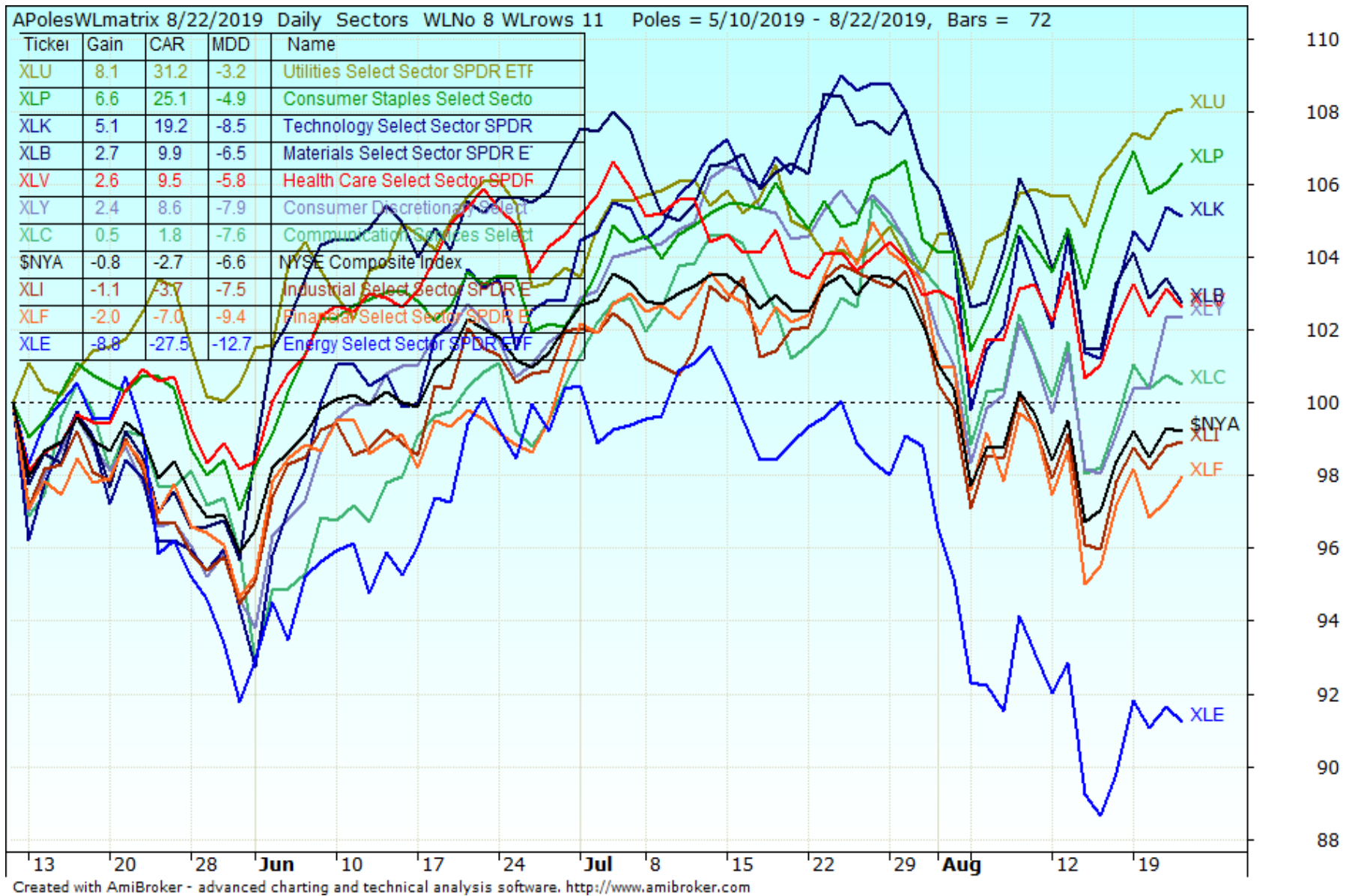
NASDAQ Monthly



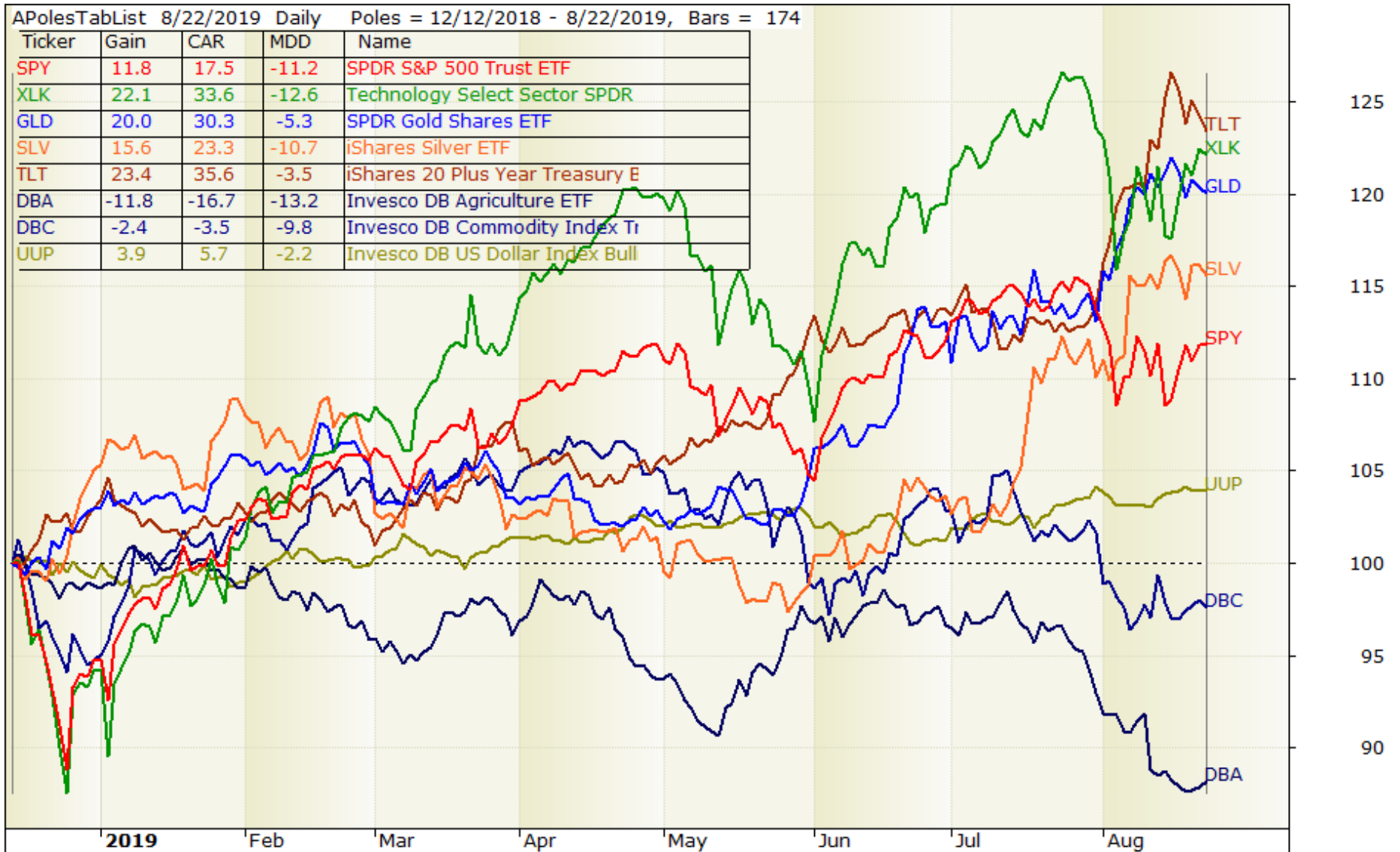
VIX – Shows High Volatility in Aug



Comparison of Sectors – YTD



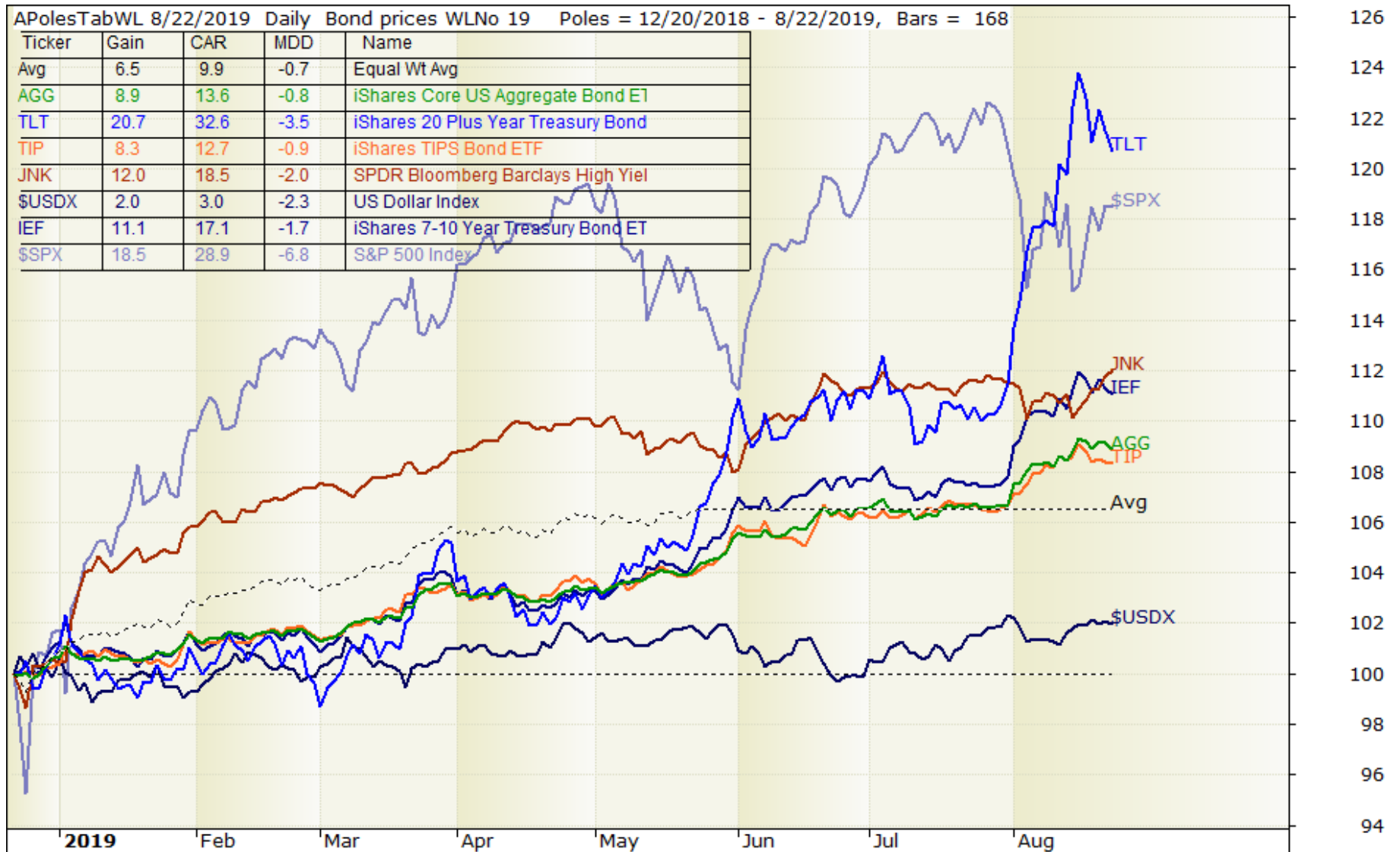
Asset Classes Performance



Top 20 ETFs (ranked by ETFReplay.com)

Symbol	ETF	ReturnA	ReturnB	Volatility	Rank
LQD	iShares iBoxx Invest Grade Bond	+8.2%	+3.6%	5.3 %	1
IAU	iShares COMEX Gold Trust	+19.0%	+7.9%	15.5 %	2
VCIT	Vanguard Interm Corp Bond (6-7yr)	+6.0%	+2.4%	4.0 %	3
BIV	Vanguard Barclays Govt-Credit Mix	+5.7%	+2.9%	5.2 %	4
IEF	iShares Barclays 7-10 Yr Treasury	+6.5%	+4.1%	7.1 %	5
GLD	SPDR Gold Shares	+18.9%	+7.9%	15.9 %	6
TLT	iShares Barclays Long-Term Treasury	+14.9%	+11.2%	16.9 %	7
GOVT	iShares Barclays US Treasury (5-6yr)	+5.1%	+3.5%	5.8 %	8
BNDX	Vanguard Total International Bond	+5.1%	+1.9%	3.7 %	9
BND	Vanguard Total Bond Market	+4.9%	+2.7%	4.3 %	10
AGG	iShares Core Total US Bond	+4.7%	+2.5%	4.4 %	11
TIP	iShares Barclays TIPS	+4.4%	+2.3%	4.1 %	12
EMB	iShares JPM Emerg Markets Bond	+5.4%	+0.3%	7.4 %	13
VNQ	Vanguard MSCI U.S. REIT	+4.0%	+2.7%	15.3 %	14
VCSH	Vanguard Short-Term Inv Grd Bond (2-3yr)	+2.6%	+0.9%	2.1 %	15
MUB	iShares S&P National Muni Bond (2-3yr)	+3.0%	+1.6%	2.4 %	16
XLU	U.S. Utilities Sector SPDR	+3.6%	+2.5%	12.2 %	17
IGSB	iShares Barclays 1-3 Year Credit (2yr)	+2.5%	+0.9%	2.1 %	18
MBB	iShares Barclays MBS Bond Fund (2yr)	+2.4%	+0.8%	2.1 %	19
BSV	Vanguard Short-Term Bond	+2.3%	+1.1%	2.1 %	20

Bond Price Performance



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Market Review

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SPY vs TLT – Risk On /Off



What The Experts Say

Current Situation: Equities are down, bond yields are down, future economic forecasts are down, future goods prices are rising.

- Equity Investors are selling and buying Treasuries as a safe haven, driving up bond prices and yields to very low levels, causing an inversion. Negative rates exists already in other countries. Inversions usually signal recession.
- Many say the Fed is not doing enough to manage monetary policy. Powell reacted saying the Fed's tools aren't well suited to counter rising business and investor anxieties over a trade war between US and China.
- As tariffs would increase, a trade war and pricing of goods are causing major issues for all large businesses/agriculture and those who supply them. Many see this as reducing global economic growth, leading to recession, and dragging the US into it. Patrick Harker, president of the Philadelphia Fed, said what businesses are telling him. "What we hear repeatedly from companies is the trade uncertainty. It is not the cost of capital."

Is Another Trump Put Coming?

- Trump has previously underpinned the stock market by backing away from trade threats as stocks fall. They call it a “Trump Put” like a derivative that pays when prices drop to a certain level.
- The Trump put showed up weeks ago when he delayed tariffs due in September pushing up the S&P by 1.5%. That was just after stocks tumbled more than 6% due to Trump announcing those tariffs in the first place.
- Some of US large industries and farmers are hoping for another Trump Put to get the markets to rebound.
- There may be more politics than economics in these tactics, making the Fed’s next move tricky.
- Besides a trade war brewing, there is a Trump vs Powell standoff that may trigger what happens next.

Treasury Yields. 3 mo and 10 Year Year to Date



Global Bond Yields Positive & Negative

Bond yields

■ Negative ■ Positive □ Not issued



Note: Data is through Aug. 21

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Source: FactSet

Inverted Yield Curve and Recessions

The 10-year to 3-month Treasury yield inversion is the most reliable signal of future recession, according to researchers at the San Francisco Fed.

Inversions of that spread have preceded each of the past seven recessions, including the 2007-2009 contraction.. They say it's offered only two false positives — an inversion in late 1966 and a “very flat” curve in late 1998.



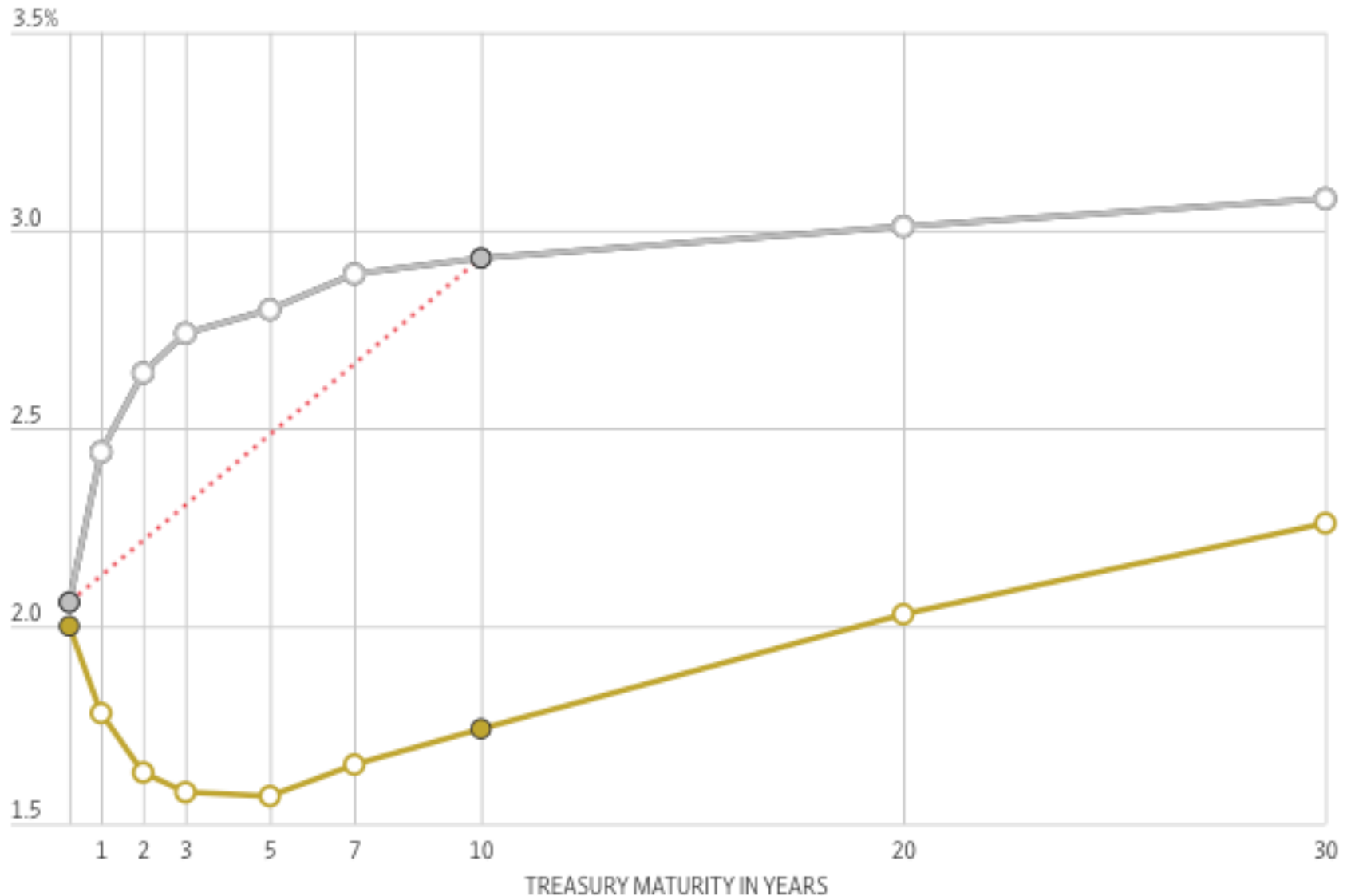
A Year in the Yield Curve

■ Year ago ■ Current

1 of 7

This time last year, the yield on the benchmark 10-year Treasury note was near 3%, **almost a full percentage point** above the 3-month yield.

NEXT



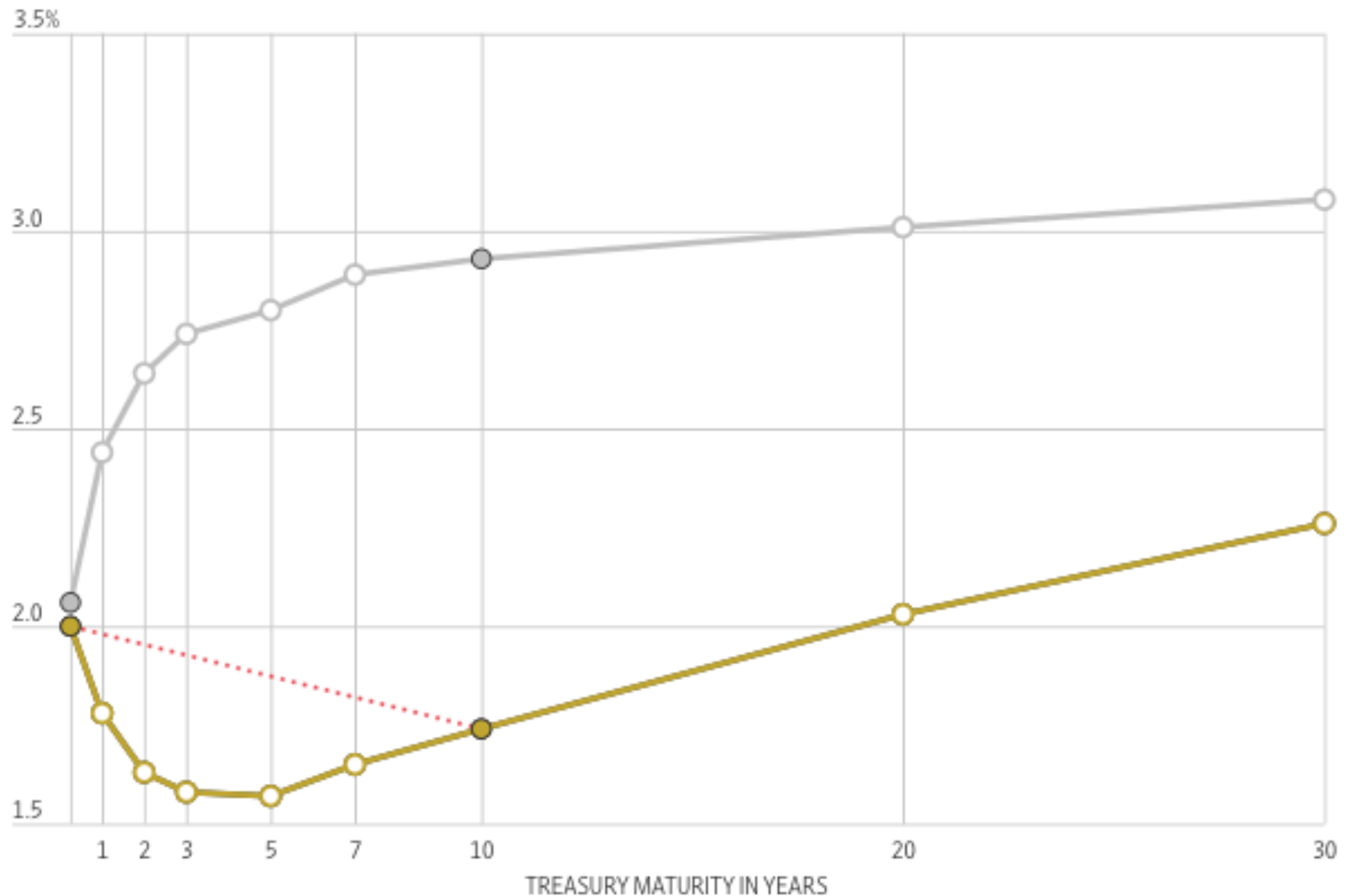
A Year in the Yield Curve

■ Year ago ■ Current

7 of 7

The bond rally has pushed yields to fresh depths and **the inversion has persisted**, a condition that has tended to precede recessions.

REPLAY

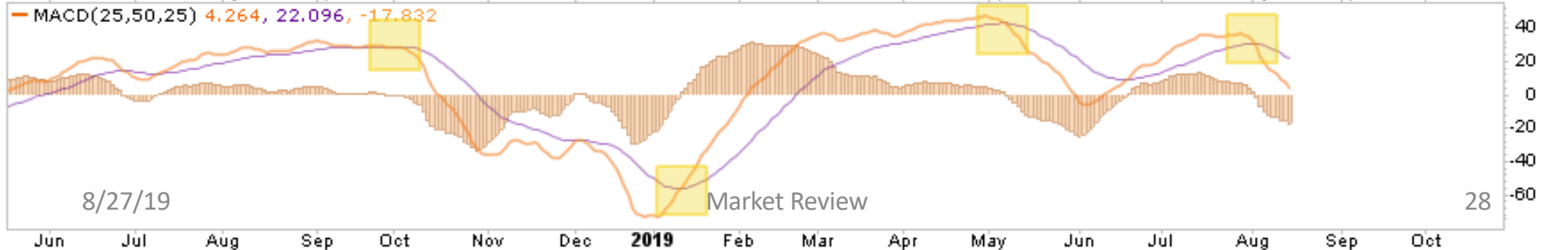
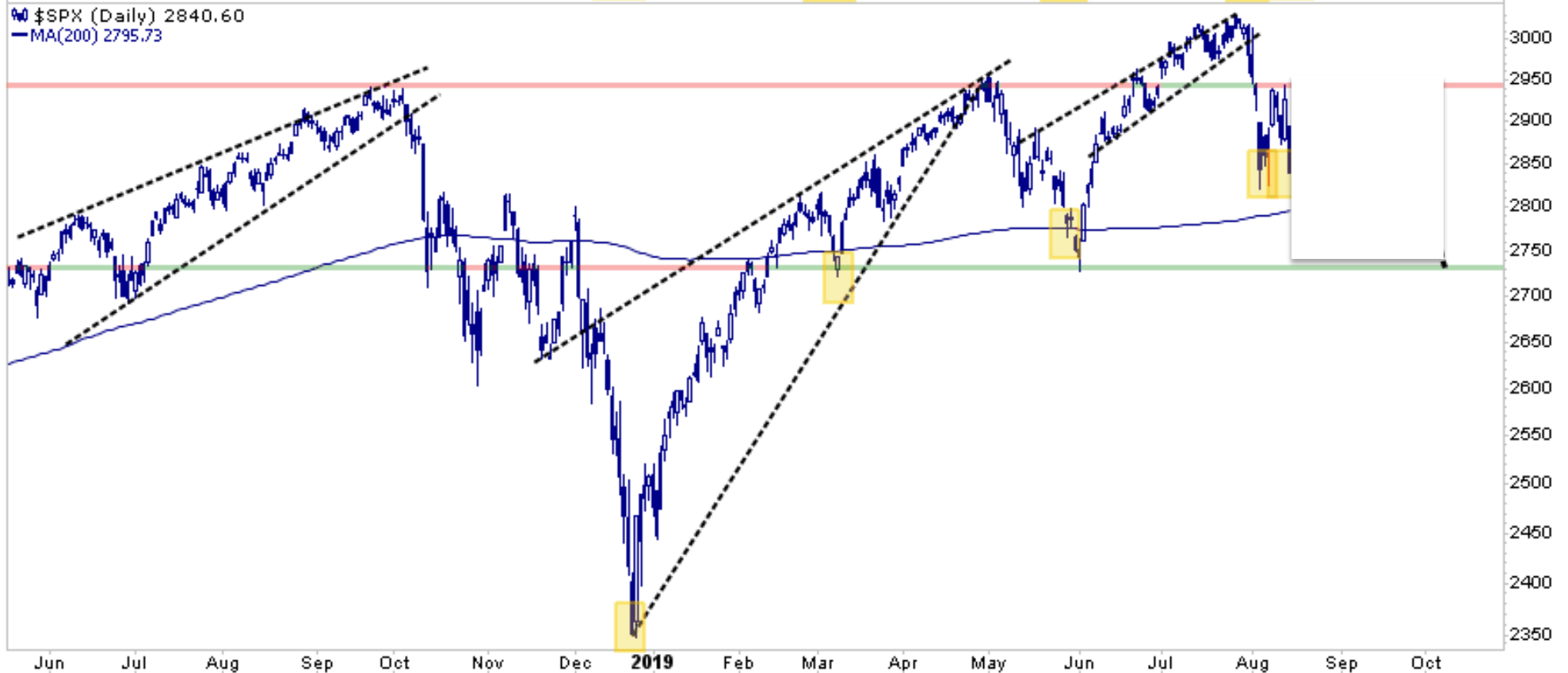
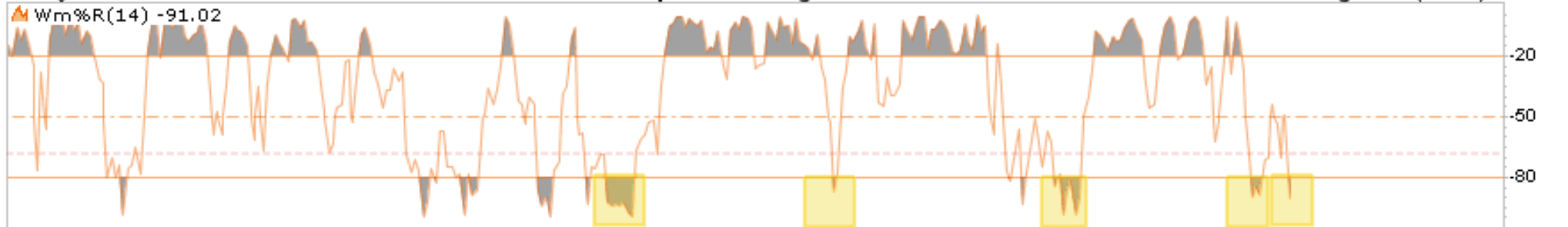


\$SPX S&P 500 Large Cap Index INDX

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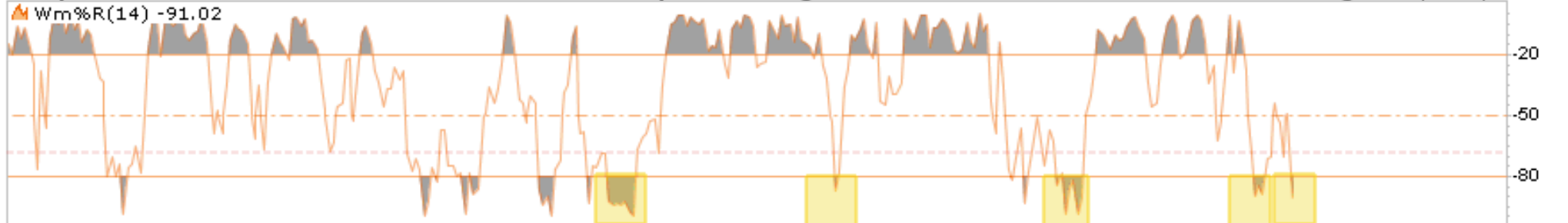
14-Aug-2019

Open 2894.15 High 2894.15 Low 2839.64 Close 2840.60 Volume 2.5B Chg -85.72 (-2.93%) ▼



14-Aug-2019

Open 2894.15 High 2894.15 Low 2839.64 Close 2840.60 Volume 2.5B Chg -85.72 (-2.93%)



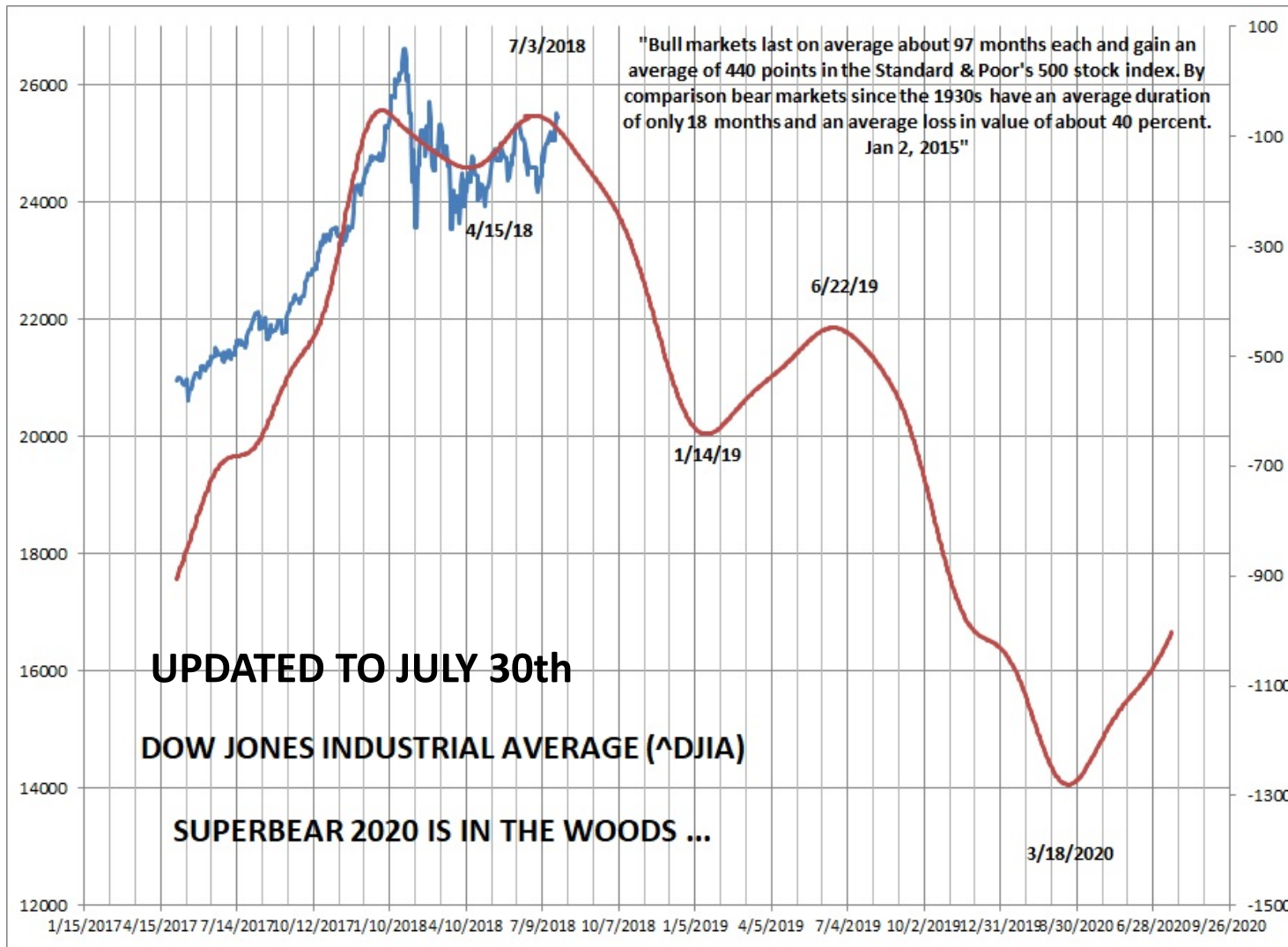
If we stretch the analysis out, the “megaphone” pattern becomes much more apparent. The repeated failures at the upper trend line continues to complete a “broadening topping process,” which is more suggestive of a larger, more concerning market peak.



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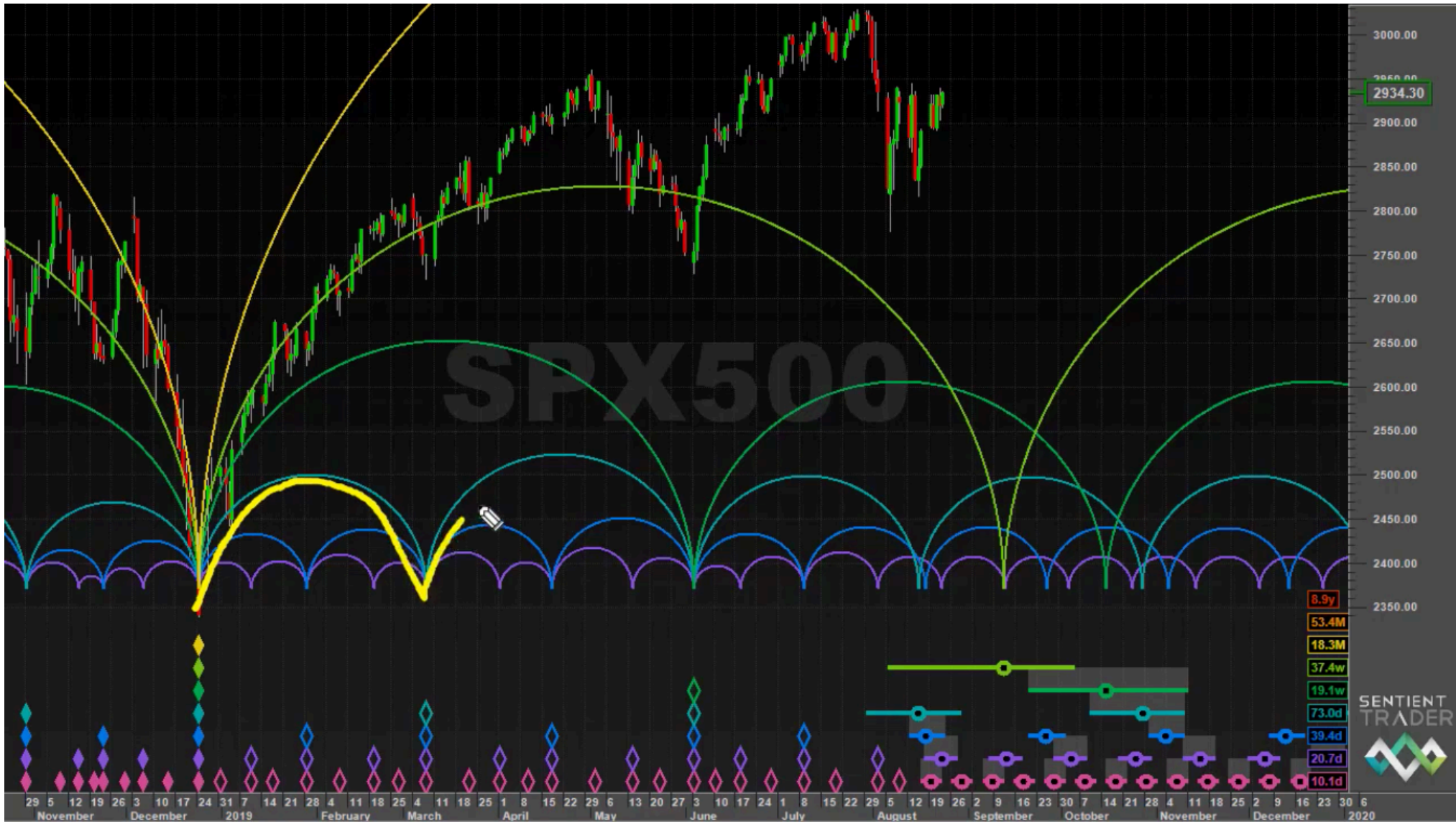
Market Review

2018 Chart from FSC



Hurst Cycle Analysis (Sentient Trader)

Bright Yellow is 40 Mo cycle.

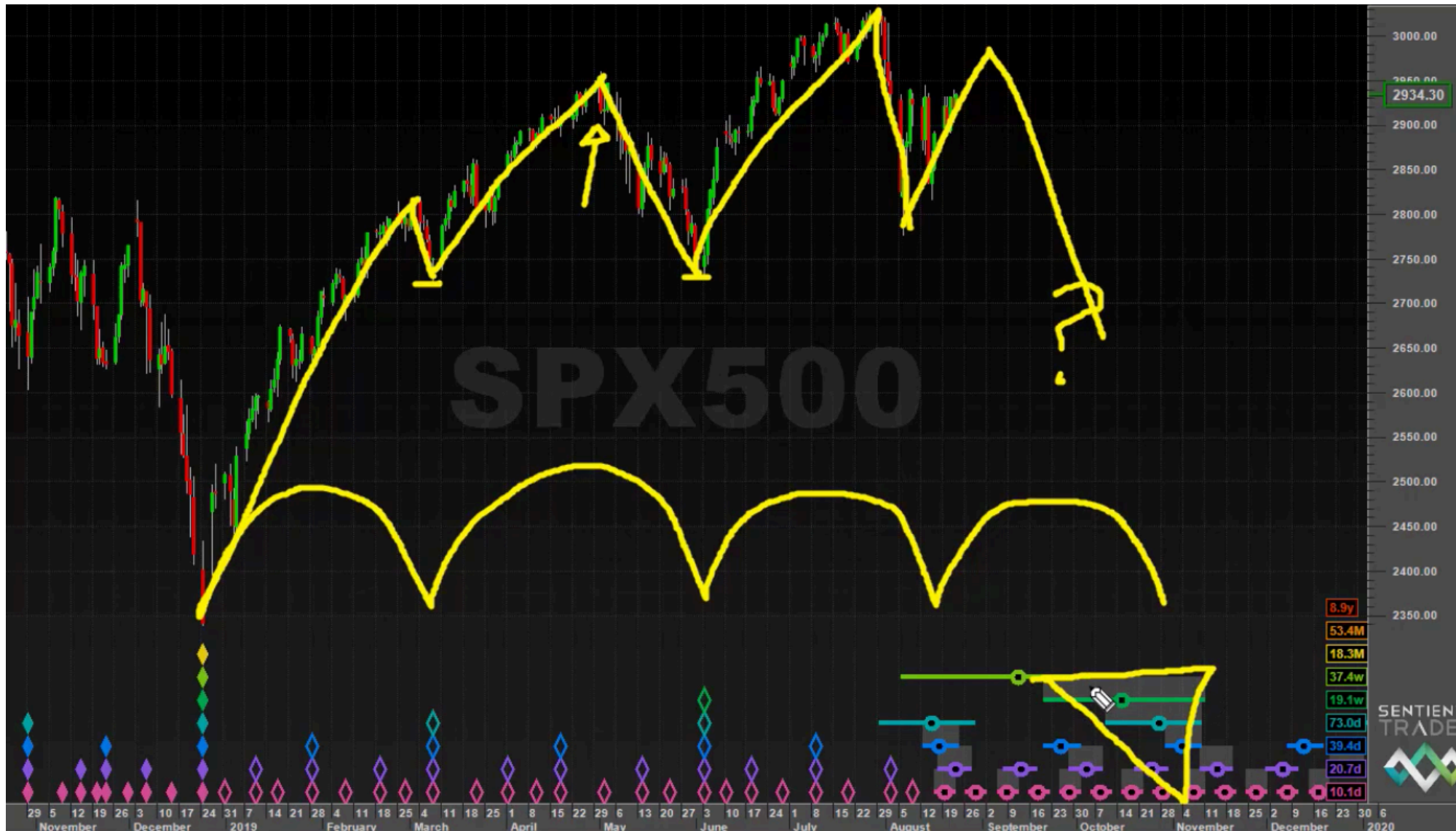


Three 40 Mo Cycles with Higher Highs As Large Cycles Compounded



Last 40 Mo Cycle

Cycles Out of Phase - Heading for Nov Low

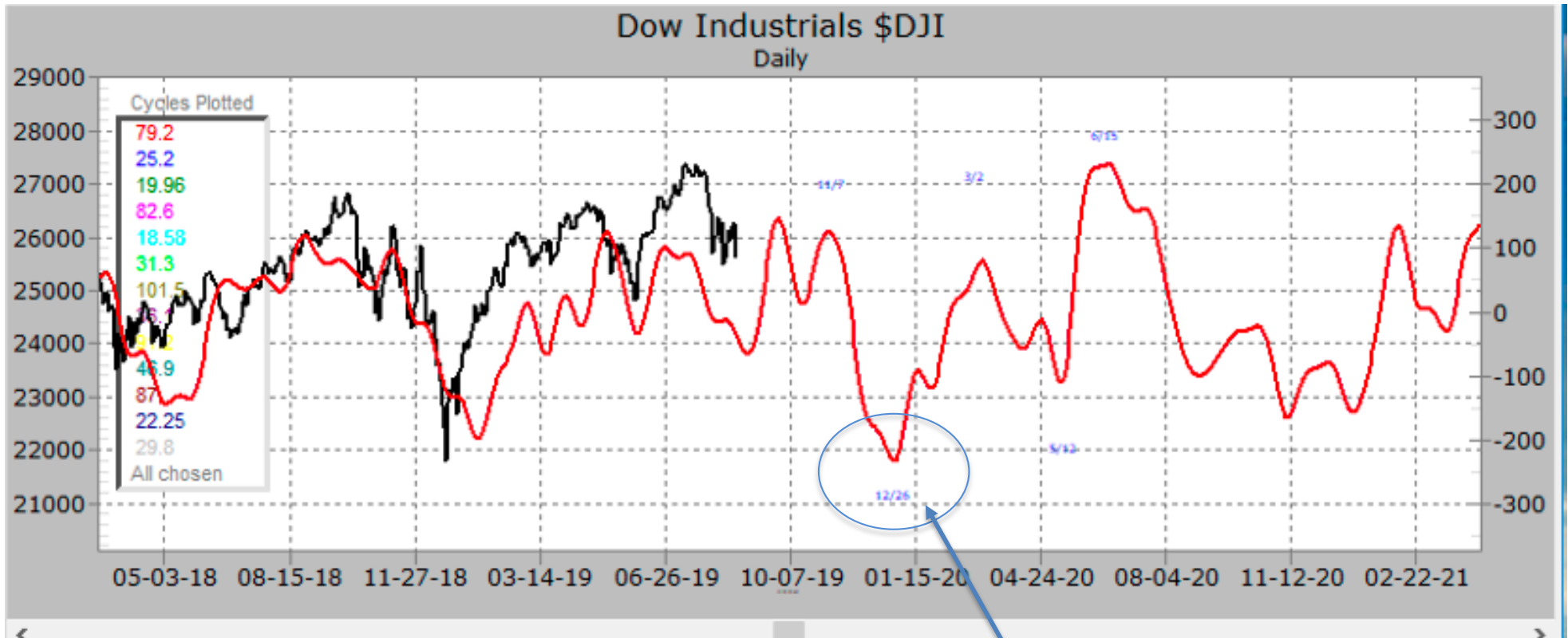


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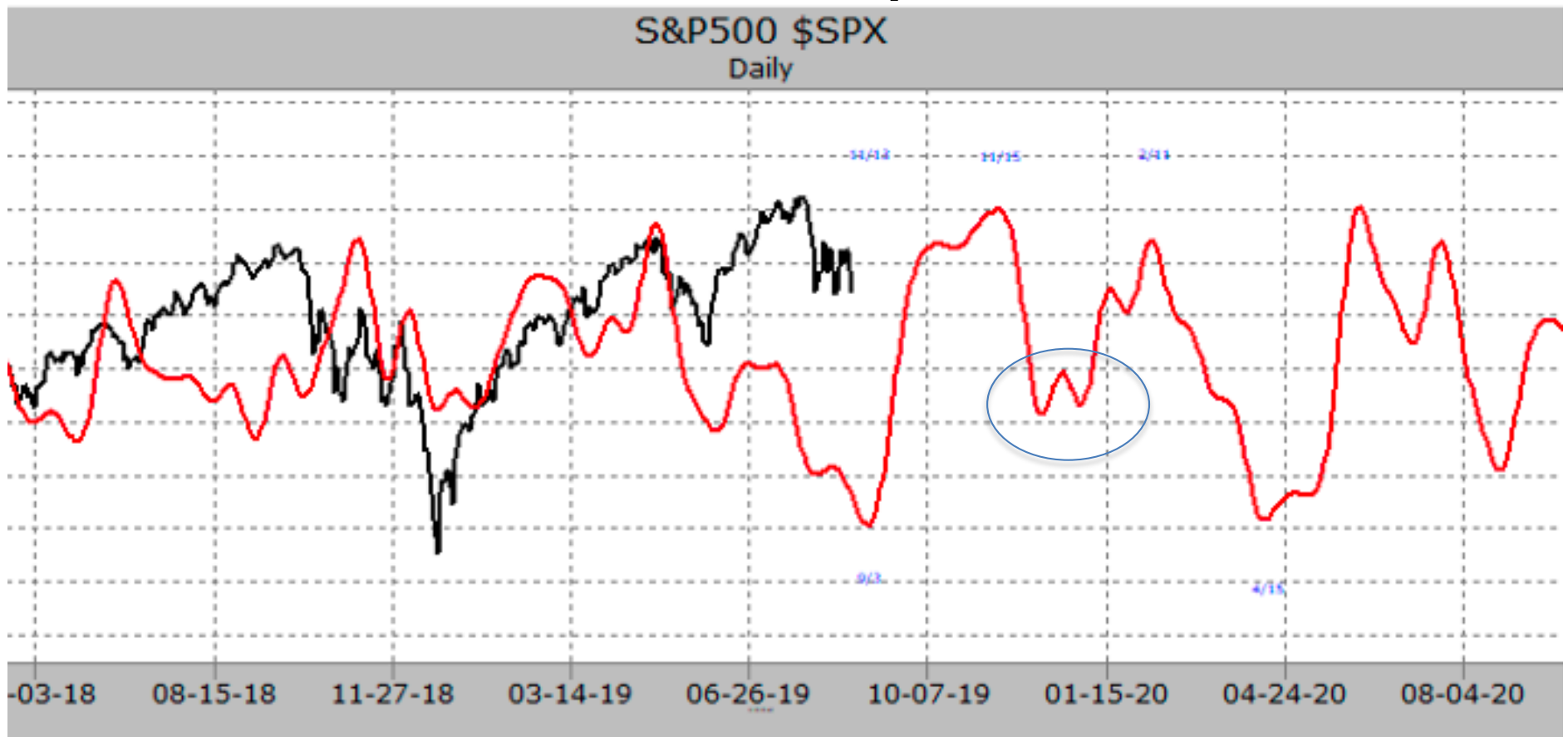
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Dow Cycle Analysis



- Cycle composite late to match the peak in May but ok for May drop.
- The next peak is indicated in Nov (11/9), and a **bottom in Dec (12/26)**
- Another peak is shown at 3/2, and then a drop to a bottom 5/23 and new peak on 6/15.

S&P Analysis



- Cycle composite matches the peak on the first of May and May drop and indicates a bottom on 9/3.
- The next peak is indicated in November (11/15) quickly dropping to a bottom in early Dec.
- In 2020 peak at 2/11 and bottom at 4/15

The Bear is Calling

