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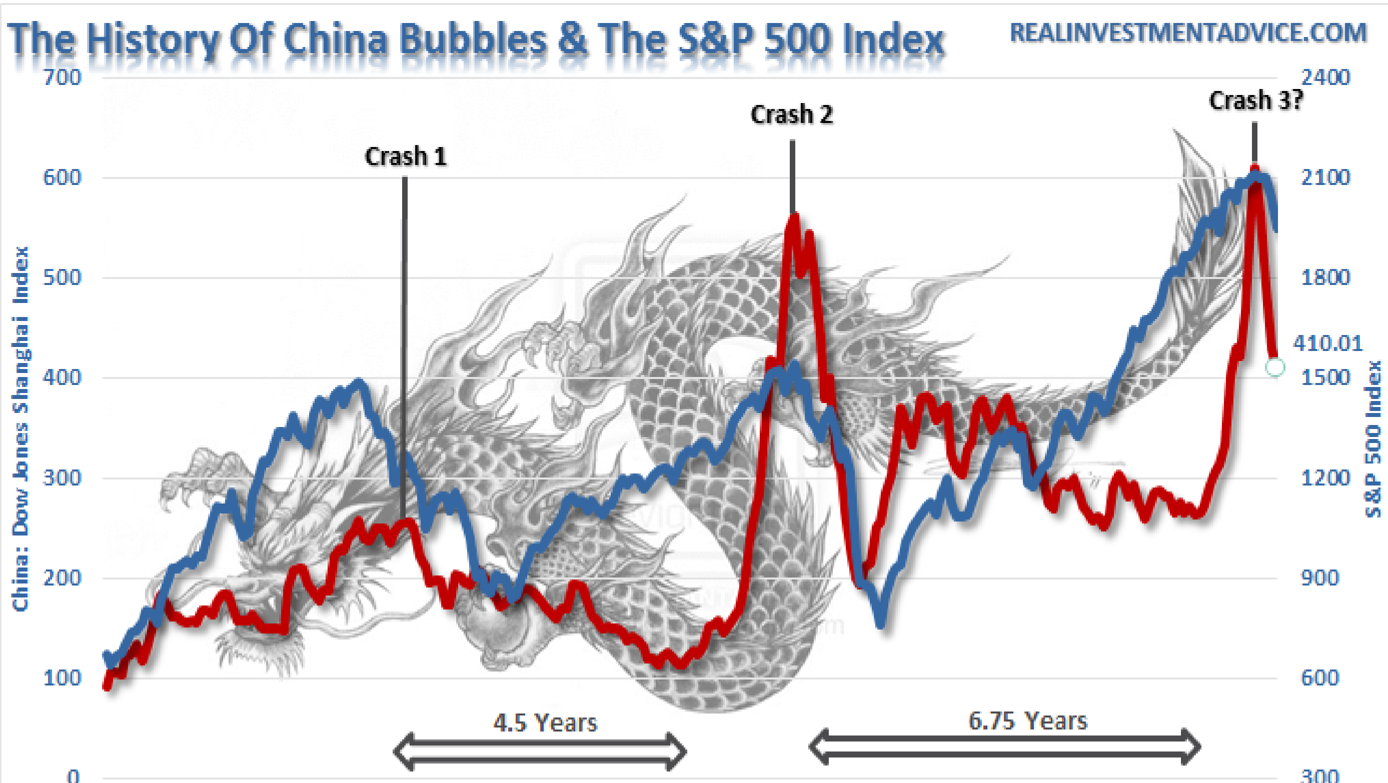
This week has certainly been interesting with the Dow Jones Industrial Average having the worst start to a year...well...ever. Even more interesting is the culprit was primarily the collapse of financial markets in China. Why is that interesting? Because it is exactly the issue that I wrote about during the summer of 2015:

> "And this last week, we saw what happens?when things go 'inevitably wrong.' The perils of margin debt should not be readily dismissed. **For a real time example of financial market leverage and consequences, one needs to look no further than the Shangai Index in China.** That market is in a complete collapse as plunging prices are forcing investors to sell shares. While the Chinese government has injected liquidity, suspended trading in almost half of the listed equities and encouraged pension funds to buy securities, these actions have done little to stem the decline as investors *'panic sell'* in a rush to safety. **That collapse, if history is any guide, is likely not done as shown in the chart below."**



> "Also, notice the correlation between peaks in the Shanghai Index and the S&P 500. While no single indicator should be relied upon as a measure to manage a portfolio, it should be well understood by now that leverage is a 'double-edged sword.' **While rising leverage?provides the additional liquidity to drive stock prices higher on the way up, it also cuts deeply as prices fall."**

This weekend's reading list is a collection of analysis as to the potential impact of China.?Is history set to repeat itself? And, most importantly?as discussed in yesterday's post,**investors may have witnessed the?*"ringing?of the bell"*?for the end of?the bull market that begin in 2009.** While it is too early to know for certain, things are getting much?more interesting. It is time to start paying attention to the risks.

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1) Debt Signals Problems For Markets?by Lisa Abramowicz via Bloomberg

> ?**Thanks in large part to a circuit-breaking selloff in China, stocks are already digging a hole at the start of the new year.** Savvy traders know to avoid making big decisions based on a day or two of equity market histrionics, lest they look like chickens with their heads chopped off rather than skilled prognosticators. They rely on more dependable barometers to determine the longer-term direction, and what they see right now could be a big cause for concern. **One of the best current indicators is dollar-denominated investment-grade debt, which has been tracking U.S. stocks much more closely than high-yield bonds.** High-grade bonds remained fairly steady throughout 2015's market roller coaster, even as stocks bounced around in a rather fruitless attempt to find direction and riskier corporate debt suffered some of its biggest declines on record.?

But Also Read:?**China's Market Won't Be Halted Anymore**by Myles Udland via Business Insider
2) Markets Aren't Cooperating With Fed Rate Hike?by Jeffrey Snider via Alhambra Partners

> ?**When the FOMC voted on December 16 to raise rates, they did so with reservations, some expressed publicly, that maybe they didn't really have the ability to do it.** There is a reason that we refer to money markets in the plural, since there are, as the "s" at the end indicates, more than one. At one point in financial history, they all worked very well together, though the manner in which that harmony developed appears entirely lost on policymakers. They just assumed and continued to do so; they still do today, though with much less certainty attached. **In the little more than two weeks since the FOMC's move, money markets have not behaved."**

But Also Read:?**Federal Reserve Is Giant Weapon With No Ammo Left?**by Myles Udland via Business Insider**Opposing View:**?**Fed's Lacker Suggest 4-More Hikes In 2016?**by Jason Lange via Reuters**3) 5 Facts About The Market Sell-Off**?by Mohamed El-Erian via Bloomberg

> ?Here are the five things to know about the implications of the sell-off for 2016 and beyond: 1. Geopolitics 2. Risk Taking 3. Liquidity - Fed vs. Everyone Else 4.?Global Economy 5. Future Policy Decisions?

But Also Read: **Brace For A Rare Recession In Profits**?by Matt Egan via CNN Money

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VIEWS & OPINIONS ON THE CORRECTION

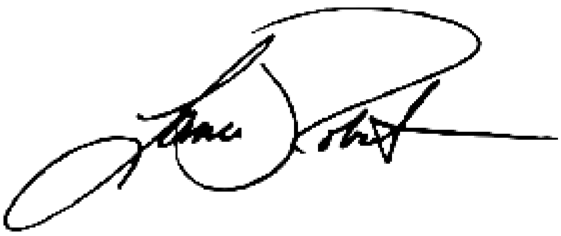
- **Market Bears Fire Short Across The Bow***by Michael Ashbaugh via MarketWatch*
- **Soros: It's The 2008 Crisis All Over Again***by Matt Clinch via CNBC.*

- [**Is The Market Set To Fall?**]?*by Simon Maierhofer via MarketWatch*
- **Investors See 2016 & Aren't Impressed***by IBD Editorials via Investors.com*
- **Why Global Economic Disaster Is Unlikely***by Martin Wolf via Financial Times*
- **Market Rout Is A Warning; Charts Flash Red**?*by Michael Kahn via Barron's*
- **The Absurdity Of Finding A Reason For Market Drop***by Michael Gayed via MarketWatch*
- **It's A Xanax World***by Bill Gross via Janus Funds*
- **BREAKING, The Bull Market***by Dana Lyons via Tumblr*
- **Stocks Could Crash By 50%***by Henry Blodget via Business Insider*
- **The Bubble Implosion Can't Be Fixed***by Bob Janjuah via ZeroHedge*

MUST READS

- **Market Observations For 2016**?by Rob Arnott & Jason Hsu via PIMCO
- **US Economic Growth Looking Frail?**by Josh Mitchell via WSJ
- **The Coming Problem Of Millennials**?by Kasia Klimasinska via Bloomberg
- **Behind The Rise In Workforce Dropouts**?by Aimee Picchi via CBS MoneyWatch
- **The Next Big Short: The Third Crest**?by John Hussman via Hussman Funds
- **Safe On The Sidelines: 475 Days & Counting**?by David Stockman via Contra Corner
- **Self Defeating Monetary Policy**by Michael Lebowitz via 720 Global
- **So, Who Will Save The Global Economy Now**by Jeff Spross via The Week
- **Greatest Investor?Alive Says Do Just One Thing**by Jesse Felder via The Felder Report
- **Somethings Wrong! Sell! Sell!**by Doug Kass via Tumblr

?Some people are never too old to find new ways to lose money."???Anon



Question, comments, suggestions ? please email me.

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